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IF BEER RETURNS

By Louis M. Hacker

THE NEW YORK TIMES COMPANY



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to [illegible] Mr. Chamberlain's thesis that reform in America is dead, it at least indicated that its ghost is not yet laid. The shibboleths of reform, however vague, still serve their purpose in a deflated but ever hopeful commonwealth.

Among the elder statesmen of the liberal and progressive ranks Mr. Chamberlain's elegy will undoubtedly be considered both premature and presumptuous. They can scarcely be expected to enjoy a "history of the rise, life and decay of the progressive mind in America" predicated on the assumption that American reform has not only proved futile but that it has been from the start upon the wrong road; that because of this initial misdirection it has sidetracked, for the most part, an expression of discontent more consistent with the trend of our financial and industrial development. In the light of very recent history, Mr. Chamberlain is able to make a strong case.

Covering the whole gamut of reformism, from its agrarian beginnings in the 1890s—when, according to the writer, the battle for "the free man in the free society" was already lost—down to the latest prospectus of the social planner under capitalism, the book gives a perspective of the progressive movement which could not possibly be obtained from the assiduous reading of individual biographies and the chronicles of single groups. Herein lies its greatest value to the general reader. The story is necessarily kaleidoscopic and in places may leave the reader a little breathless, but it is rarely confusing. The period is interpreted in the light of its men rather than of its events. But this is merely a device by which the individual leader or writer is used as a window through which to survey his era. The author has no Carlylean illusions. The picture is sufficiently comprehensive, though any one may quarrel with what seems undue emphasis here, a lack of emphasis there. The book covers not only the progressives from the 1890s to late 1932, but makes an occasional brief excursion into the ranks of the revolutionists. It deals not only with such political leaders as the early Bryan, Theodore Roosevelt, the elder La Follette, Woodrow Wilson—men who gave to national progressivism much of its form and substance—but also with the philosophers, artists and journalists of the movement. It is, in fact, something of a six-ring circus in the field of reform, with all the rings in full swing and with journalistic trapezists like Lincoln Steffens doing intellectual somersaults at the top of the tent.

The philosophic history of reformism begins, in the opinion of Mr. Chamberlain, with the Spencerian libertarianism of men like William Graham Sumner of Yale who did so much to encourage a critical attitude toward the expanding capitalism of the 1880s and 1890s, but who nevertheless failed to see that government "is a fulcrum, not an entity—a fulcrum by which men in organized groups get predatory leverages which enable them to better themselves at the expense of the less powerful, the less wary, the less worldly sagacious." It

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A MONTH'S WORLD HISTORY

of logic to human affairs, turned art upside down, and plunged morality into a state of hopeless chaos. His great fear is that the future will belong to what he calls the two great hydra-heads of modern civilization—Soviet Russia and the United States. In a simple-minded fashion he envisions the two countries as part of the same pattern, stressing to a point of foolhardy exaggeration their superficial resemblances but neglecting entirely their fundamental differences.

The best parts of this volume are those devoted to an analysis of the cultural developments of Europe during the first two-thirds of the nineteenth century; the section dealing with developments since then is marred often by the intrusion of the author's eccentric ideas —his respect for astrology, his emphasis upon the need for a new religion, his argument that "each historical generation is a definite conception of God's, a uniquely occurring light-ray between two infinites." Friedell is at his best when he is describing the place and significance of Byron in early nineteenth century Europe, the evolution of German romantic music, the challenge of Daumier and Balzac in the chaotic world in which they were plunged, the development of Hegelian metaphysics and Buchnerian materialism and the meteoric rise of Friedrich Nietzsche as the symbolic hero of his age. He is at his worst—which is to be expected—when he depicts the development of schools of thought such as Marxism or Freudianism, to which he is viciously opposed. He excels on the more loosely cultural themes and not on those which are more strictly historical.

While Friedell's failure to check up his conclusions with social and economic fact may add to the poetry of his writing, it certainly detracts from its authenticity. One reads his works as one would read an epic of Byron, to be stirred but not convinced, which only means that this *Cultural History of the Modern Age* falls into a field belonging to the history of literature rather than the literature of history.

Von Buelow's Memoirs

By WILLIAM E. LINGELBACH

MEMOIRS OF PRINCE VON BUELOW. Vol. IV. *Early Years and Diplomatic Service, 1849-1897*. Translated from the German by Geoffrey Dunlap and F. A. Voigt. Boston: Little Brown & Co. 1932. $5.

THIS entertaining volume concludes the autobiography of Prince von Buelow, imperial Germany's fourth Chancellor. Chronologically this volume should have come first, as it deals with the author's family, youth, education and diplomatic career. It is thus of great interest to the biographer, particularly if he be of the psychological school, for it supplies data as to heredity and early environment.

The Buelows bore a name distinguished in German political and military history. They were of Danish and North German extraction, though two important branches of the family, the Rueckers and the Jenisches, came the one from the Rhine, the other from Augsburg, to settle in Hamburg, where they were closely

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CURRENT HISTORY

JANUARY 1933

If Beer Returns

By LOUIS M. HACKER

[Mr. Hacker, a member of the editorial staff of the *Encyclopaedia of the Social Sciences*, is co-author of *The United States Since* 1865. He contributed to CURRENT HISTORY for September, 1932, an article entitled "The Rise and Fall of Prohibition."]

THE unhappy effects of excessive drinking, temporarily at any rate, on human mental processes are well known; it is one of the ironies of the history of prohibition that otherwise solid and intelligent persons have quickly succumbed to the same heady influences when engaged merely in talking about drinking. If at this late date a scientific refutation of the tall claims made by the drys during 1913-17 is still needed—that the outlawing of drink was to make the American people forever sober, speed up the processes of industry, improve public health and release the worker's dollar for the purchase of new consumption goods—then the interested reader is referred to Dr. Clark Warburton's competent study *The Economics of Prohibition* (New York: Columbia University Press, 1932). Dr. Warburton in a single preliminary sentence, that is at the same time a model of scholarly understatement, disposes of the whole matter when he says: "With the collapse in late 1929 and early 1930 of the 'new economic era' most of the arguments, * * * especially those relating to the effect of prohibition upon prosperity, have become obsolete."

If the drys today are chewing the cud of reflection, the ranks of the talkative have by no means been thinned. The wets have filled them out, volubly promising as much if not more by the repeal of prohibition as their foes, a brief decade and a half ago, had promised for its inauguration. In this article we shall concern ourselves only with the results of the imminent legalization of beer, for the repeal of the Eighteenth Amendment is, it must be apparent, less likely to be accomplished without a determined fight on the part of the drys. Although it is impossible to contemplate the repeal of the Eighteenth Amendment within the very near future, the legalization of beer is so assured that one can hardly claim boldness for the prognostication.

What is the wet position on the eve

of the modification of the Volstead act and the return of beer? Wets are making the following brave assertions: First, that the legalization of beer will start the wheels of a great industry going once again; second, that it will afford new opportunities for employment for a vast army of men; third, that it will aid in agriculture's revival; fourth, that it will help fill the already emptied coffers of the national government and that if it will not balance the budget at least it will make a substantial contribution toward meeting a deficit which may be $2,000,000,000 by June 30, 1933; fifth, that it will go far toward helping our public authorities cope with the problem of organized crime. The press in the closing weeks of 1932 was so full of contentions of this sort that it is hardly necessary to cite specific examples. A dispassionate examination of these claims, however, is in order, for undoubtedly countless persons have come to believe them, if not with the same pitch of enthusiasm, certainly with some hope that the return of beer will improve the present economic and fiscal situation.

Assuming then that sooner or later Congress will legalize the manufacture, sale and transportation of beer with an alcoholic content of from 2.75 to 4 per cent by volume, two questions still require answer: What will be the dispensing agencies? And where may the beverage be sold?

Both political parties—echoing the sentiment of all reasonable persons—agree that the abolition of the saloon was a laudable achievement and there is no possible hope for its revival; indeed any measure passed during the present short session of Congress which does not explicitly outlaw the saloon is bound to receive President Hoover's veto. Therefore the average American who in pre-prohibition days usually got his drink at the conveniently located "poor man's club"—either at the open bar or else in a container for off-premise consumption—will have to resort to other agencies, to restaurants and eating places generally, where he will have to buy a meal at the same time, or to the breweries for bottled beer to be drunk in the home. The comparatively few persons who frequent hotels or belong to clubs may obtain their glasses of beer with a little less difficulty. Perhaps in time, and for the service of the working population, we shall see the legal establishment of beer parlors or taverns of the sort now existing in the Canadian Provinces of Alberta, British Columbia, Manitoba and Quebec. In the near future, however, beer will not be so easy to obtain, and because a large retail business in draught beer, as existed when the saloon was the chief dispensary, will not be possible, both bulk consumption and price are likely to be affected.

It is also important to remember that the area of sale is definitely restricted. The amendment of the Volstead act will not automatically modify or repeal State enforcement laws, whose definitions of an intoxicating beverage are in many instances even more extreme than the one-half of 1 per cent fixed by Federal statute. But fifteen States to date have repealed their enforcement laws; these together in 1930 had a population of 43,370,000 or 35.3 per cent of the population of the continental United States. Such is the wet area where legalized beer will be sold freely. In the remaining thirty-three States, accounting for 64.7 per cent of the country's people, it will be possible to check the open operation of local breweries by appeal to the State courts and the shipment of beer across State lines from wet areas by appeal to the Federal courts. The Webb-Kenyon law of 1913 and the Reed amendment of 1917 are still on the statute books, and their existence tends to throw a high wall of protective Federal law around the dry areas. This state of affairs must be clearly understood before it is possible to estimate the economic and fiscal effects of the return of beer.

In 1914 the march of the dry States began and by the end of 1916 prohibition existed in twenty-three American Commonwealths. Actually, however, only twelve were bone dry because the laws in the other eleven States, while they prohibited the manufacture and sale of alcoholic beverages, did allow home brewing and wine making, or permitted importation for personal use or both. The importation allowance in the case of beer was generous —usually five gallons every fifteen days. The Federal Webb-Kenyon law merely prohibited shipments into the dry States of liquor which was "in violation" of State codes; in brief, it could not check importation into presumably dry areas where such importation for personal use was not unlawful. Thus, at the end of 1916 the wet area, certainly as far as beer for home consumption was concerned, consisted of thirty-six States with an estimated population of 87,399,000, that is, 86.2 per cent of the country's total.

The Reed amendment of 1917 drastically changed the situation. This Federal enactment outlawed all liquor shipments in interstate commerce into dry States, whether or not the local statutes had permitted importation for home use.

The Supreme Court, in commenting on the statute (actually a rider to the Postoffice Appropriation act of March 3, 1917), pointed out: "In the passage of the Reed amendment it was intended to take another step in legislation under the authority of the commerce clause. * * * The order, purchase or transportation in interstate commerce, save for certain excepted purposes, is forbidden. The exceptions are specific and are those for scientific, sacramental, medicinal or mechanical purposes." * * * And later on in the same decision: "That the State saw fit to permit the introduction of liquor for personal use in limited quantity in no wise interferes with the authority of Congress * * * to make the prohibition against interstate shipment contained in this act."

As a result of this, in 1919, shortly before the inauguration of nation-wide prohibition, the wet area comprised those fifteen States not having dry laws on their statute books, and these, according to the 1920 census, had a population of 50,275,000, that is, only 47.6 per cent of the nation's total. The distinction between the status of prohibition in 1916 and in 1919 is important and must be borne in mind when we seek to estimate the probable beer consumption and the total Federal revenues to be realized from beer in 1933. It can be seen at once that the 1933 situation more nearly approximates that of 1919, when the wet area was definitely fixed and when the excise on beer was more nearly like the rate proposed today.

With the legalization of the liquor industries, and more particularly with the return of beer, what may we expect as far as a general economic improvement is concerned? The comparative economic unimportance of the liquor industries in the period before prohibition has apparently been forgotten. According to the 1914 census of manufactures there were in all but 2,099 establishments making distilled, malted and vinous beverages in the United States, or less than 1 per cent of all industrial plants. Of the 2,099, breweries accounted for 1,250 and malting works for 97. In terms of capitalization the liquor industries presented a somewhat better ratio—the value of plants, equipment and the like being $962,482,000, or 4.2 per cent of the total industrial capitalization. The brewery properties were valued at $792,914,000; the malting work properties at $46,767,000.

How many persons were employed in the liquor industries at the heyday of their careers? In all, to be exact, 88,232 persons, of whom 72,646 were wage earners and 15,586 were salaried employes. This group of less than 90,000 people represented not more than 1 per cent of the nation's industrial population! To round out the

picture completely, though the figures have no significance as far as the immediate problem is concerned, there were also, according to the 1910 census, 68,000 saloonkeepers and 101,000 bartenders in the United States. Thus the direct total wage and salary earning population dependent upon the liquor industries was never more than 300,000. An industry—speaking of brewing and malting alone—having not much more than $850,000,000 capital value and employing about 80,000 persons cannot be regarded as a major economic enterprise.

Even if we are to put the most cheerful face on the matter, being thankful for slight opportunities for industrial expansion, we must recognize that a brewing industry, both in its legal and illegal aspects, already exists. The Federal Prohibition Bureau itself has estimated that the illicit liquor trades are now employing more than 1,000,000 persons and utilizing capital of about $2,000,000,000. These figures are not unreasonable in the light of the economic nature of the business. Being illegal, it must necessarily operate in small units instead of effecting the economies that would be possible by large-scale production and distribution. Besides, a large private policing force—gangsters—is necessary to assure the industry some measure of stability. It is to be questioned whether the return of beer will completely eliminate the illegal, wildcat and alley breweries from the scene: their operators have become skilled entrepreneurs and they have too large an economic stake in brewing to allow them to quit voluntarily. Moreover, they will receive encouragement from dishonest dispensers if the tax on beer is high enough to make cheating worth while.

In the second place, the legal breweries are still with us, because some brewers have accepted the mandate of the Volstead act and proceeded to content themselves with the manufacture of near beer. Actually these operators have been producing real beer all the time, merely de-alcoholizing their beverage to make it fit the legal requirement of one-half of 1 per cent. To turn out beer with an alcoholic content of from 2.75 to 4 per cent would, if anything, simplify the industrial processes. The fact is, in New York City alone there are at present in operation fourteen legal plants which probably with a slight expenditure of capital for improvements and payroll additions would be in a position to furnish all the real beer required by the metropolitan area, if not for a much larger zone. Undoubtedly a certain amount of money will be spent in capital outlays, for the refurnishing of plants, the expansion of bottling departments and the acquisition of motor trucks. But brewers are more likely than not to go slow until they are in a position more accurately to gauge the size of the demand and the nature of the competition they are to meet from illicit operators.

Brewers have optimistically declared that with the return of beer new capital expenditures will be in the neighborhood of $200,000,000 and there will be jobs for at least 1,250,000 persons. This latter estimate, of course, includes not only opportunities for employment in brewing and malting directly but also in allied activities like cooperage works, machine shops, glass-making plants and transportation. In the light of the facts that from 1909 to 1914—when brewing was undergoing a decided transformation as the result of the introduction of mechanization and chemical control—capital expansion increased only a little more than $100,000,000 and the number of jobs increased less than 20,000, there is room for considerable skepticism. And whether or not other industries will profit from beer's return will depend upon the brewers' willingness to spend money with a lavish hand. The present indications are against it.

The picture further loses some of its roseate tints when we realize that other industries will be adversely af-

fected. Since prohibition a large and thriving beverage industry has sprung up; also, in the same period, the consumption of milk has greatly increased. Americans in recent years have acquired new—soft and hard—drinking habits. If they are persuaded to go back to the old table beverage of beer the manufacturers and processers of carbonated and fruit beverages and fresh fruit juices, and the dairy industry as well, are going to suffer severe losses. We are indebted to Dr. Warburton's ingenious calculations for an idea of the marked changes that have taken place in American soft-drinking habits since 1914. He estimates that between 1914 and 1930 the nation's per capita consumption of coffee has increased from 10.14 to 12.80 pounds, of bottled carbonated beverages from 1.7 to 6.6 gallons, of Coca-Cola from .07 to .23 gallons and of milk—in the New York metropolitan area—from 34.1 to 49.3 gallons.

Finally, we must not lose sight of the fact that the present illicit liquor traffic in every sense conforms to the definition of an economic enterprise: it utilizes capital for plant and equipment, hires labor, buys raw materials, processes them into finished goods and operates distributing agencies. If anything, in a period like the present, it is more desirable economically than legitimate business because of its quick consumption of capital goods—due to seizures by law enforcement authorities of stills, breweries, trucks, boats and the like—and its high labor costs. The fireman tending the fires of a wildcat brewery, the driver of a truck hauling illegal beer, the armed thug guarding him against possible attack by hijackers, the barkeeper of a well-patronized roadhouse; these are workingmen, honest or not is beside the point, who perform services and receive wages. Just as their employers are entrepreneurs. For do they not operate plants and even borrow capital from reputable banks to finance and improve their businesses? The better the legitimate brewers will gain mastery over the situation—using capital and giving jobs to men—the more certain they will be to throw other men out of jobs and close up old opportunities for investment and profit. At the present moment it seems to be six of one and half a dozen of the other as far as the total gain to economic society is concerned.

In the case of agriculture, too, it has been impossible to present a simple statement, for farmers have both lost and profited from prohibition. Dr. Warburton puts the estimated annual loss to farmers, on account of the reduced demands of breweries particularly, as follows:

Barley: 38,000,000 bushels @ 57c per bushel	$21,660,000
Hops: 29,000,000 lb. @ 18c per lb.	5,220,000
Rice: 140,000,000 lb. @ 2.1c per lb.	2,940,000
Corn and corn products: 9,000,000 bushels @ 75c per bushel.	6,750,000
Sugar and sugar products: More than offset by increased use for beverage spirits	......
Total	$36,570,000

The corn growers who formerly sold to distillers lost a market of from 17,000,000 to 24,000,000 bushels of their grain annually; but the corn growers who came in the decade of the 1920s to sell to corn-sugar manufacturers or who learned to operate stills themselves, found a market for about 20,000,000 bushels. The rye growers were not compelled to contract acreage, nor has there been a decline in the quantity of molasses produced. It is true that, because of the falling off of brewing during prohibition, there was a loss suffered by the producers of the farm articles entering into the making of beer, namely, barley, hops, rice, corn and corn products, and sugar and sugar products. On the other hand, milk drinking, both plain and in coffee, grew enormously, so much so that increased consumption of milk since 1914 has accounted for an average annual gain of about $240,000,000 for the country's dairy farmers. Dr. Warburton appears entirely reasonable when he

says: "If only a fourth of this unusual increase in the use of milk is to be attributed to prohibition, the gain to the dairy farmers more than balances the loss to the grain and hop growers."

Granted the return of beer on the basis of the per capita consumption of 1911-14, the total net profit to agriculture will be not much more than $36,000,000, while if the drinking of milk should be adversely affected by not more than one and one-half gallons per capita the whole gain disappears. Certainly the economic effects of the return of beer do not seem to promise too cheering a prospect.

What may we expect on the fiscal side? Let us first see what the consumption of alcoholic beverages has been in the various years of which we have been speaking, that is to say, during 1911-14, before the intensive drive for nation-wide prohibition had been commenced, in 1917 when the area of sale still contained 86.2 per cent of the population, and in 1919 when a definitely contracted wet area held no more than 47.6 per cent of the country's total population. The following table presents the figures in summary form:

	Annual Aver. Fiscal Years 1911-14	Fiscal Years 1917	1919
Distilled spirits (1,000 proof gal.)	142,319	167,740	82,118
Per capita (gal.)	1.47	1.62	.77
Wine (1,000 gal.)	57,007	42,723	54,273
Per capita (gal.)	.59	.41	.51
Beer (1,000,000 gal.)	1,996	1,885	853
Per capita (gal.)	20.53	18.17	8.00

It will be noted that in the brief space of two years, from 1917 to 1919, the consumption of legally withdrawn alcoholic beverages, particularly spirits and beer, fell off markedly. The causes for the decline are not far to seek. They were, first, the constriction of the wet area to fifteen States by 1919; second, the absence of a considerable part of the country's drinking population overseas and in the cantonments; third, the patriotic campaign against the waste of cereals; fourth, the great increase in liquor tax rates, and fifth, an increase in moonshining and bootlegging in order to escape the payment of the excises.

From 1894 to 1917 the internal revenue tax on spirits had been $1.10 per gallon; during 1917-19 the tax was $3.20 and for part of 1919 it was $6.40. From 1902 to 1917 the tax on beer was $1.50 per barrel; during 1917-19 it was $3 and for part of 1919 it was $6. A wine tax did not make its appearance until 1916; then vinous beverages with alcoholic contents up to 14 per cent were taxed 4 cents a gallon, those with contents between 14 and 21 per cent were taxed 10 cents and those with contents between 21 and 24 per cent were taxed 25 cents. During 1917-19 these rates were all doubled and late in 1919 they were doubled once more. How much in revenue did these excises bring in? The following table presents the figures for the fiscal years 1911-14, 1917 and 1919:

(Figures in millions of dollars)

	Annual Aver. Fiscal Years 1911-14	Fiscal Years 1917	1919
Total	223.9	284.0	483.1
Internal revenues from distilled spirits	158.7	192.1	365.2
Internal revenues from fermented liquors	65.5	91.9	117.8
Customs	17.9	13.4	2.5

The insignificance of the customs receipts may surprise those persons, like A. Mitchell Palmer, who have come to believe that American importations of foreign liquors have played a prominent part in our balances of international payments. The figures for value of liquor imports are even less encouraging. Out of an average annual value of imports of $1,733,000,000 for the calendar years of 1911-14, liquor imports totaled in all but $18,996,000, or 1.4 per cent; beer imports totaled $3,073,000, or 0.2 per cent. The record of the calendar year 1917 was even smaller: Total value of all imports was $2,952,000,000; total value of liquor imports was $17,791,000, or 0.6 per cent; total value of beer imports was $1,125,000. German brewers

were not wanting in a firm grasp of realities when they predicted that the only economic change the return of beer would bring them would be the slight movement to America of skilled Bavarian brewmasters.

The revenue from beer taxes is not only disappointingly small but also shows decidedly uneven returns over the period 1911-19. To what years shall we look for guidance in estimating beer consumption in 1933 and therefore the total of probable revenues to be derived from this source? Let us first assume that the new tax on beer will be the figure fixed in the O'Connor-Hull bill of the last session, which, incidentally, is the one favored by Chairman Collier of the House Ways and Means Committee, namely, $7.50 a barrel of thirty-one gallons, or 3 cents a pint. This will make the retail cost of a seidel of twelve ounces at least 10 cents and the cost of a pint bottle, when bought in two-dozen-bottle cases, at least 8 cents.

Both these prices are high for what will not be much more than a soft drink and, after the original enthusiasm over beer's return has spent itself, cost undoubtedly will have a serious effect on consumption. So will the facts of restricted areas of sale and the elimination of the saloon. So will the continuance of the depression. There are two other factors requiring even more serious consideration. These are that American liquor drinking habits have changed and that a powerful illicit industry already exists to dispute the field with those brewers who are prepared to pay the high beer excise. Both of these are fruits of the prohibition era, and whether we like it or not we shall continue to garner them for a long time to come. Prohibition made the United States, more so than ever before, a hard-liquor-drinking country; the comparative ease and cheapness with which illicit stills could be operated was largely responsible. The following table shows how America's drinking habits changed under prohibition. The first column indicates what would have been the annual consumption of alcoholic beverages over 1927-30, based on the per capita consumption of 1911-14, had prohibition never existed; the second column indicates the quantities of alcoholic beverages apparently drunk as a result of prohibition. The estimates of drinking during the prohibition period are those of Dr. Warburton.

	Spirits	Wine	Beer
*Probable annual consumption in 1927-30 without prohibition	177	71	2,466
*Actual estimated annual consumption in 1927-30 under prohibition	195	118	759
†Per capita annual consumption in 1927-30	1.62	.98	6.27

*In 1,000,000 gallons. †In gallons.

Unquestionably the low per capita consumption of beer during the prohibition era has been due to the difficulty of obtaining the beverage, and with its legalization there will naturally be an increase in beer drinking. But this does not necessarily imply that taxed beer will be drunk. The illicit beer industry is too well organized and has too large a capital stake in its operations to quit the scene without a struggle. It will seek to continue its control over the illicit dispensing agencies — the speakeasies, blind pigs, roadhouses and night clubs —either by force or by underselling legitimate breweries. It probably will succeed in prevailing upon many eating places to purchase the illegal "rank" beer, tax free and therefore cheap, to be mixed with legal beer, thus giving the retail handlers a higher profit than they could normally expect. And if Congress fixes the alcoholic content of beer at too low a figure there still will be room for a stronger beverage, which the illicit traffic will supply.

A high tax on beer therefore—and 3 cents a pint is a high tax—must inevitably cut into consumption by discouraging the normal beer drinker, who simply cannot pay the price, by compelling resort to illicit strong drink, which will be cheaper—indeed is already—in order to meet the com-

petition of the legal beverage and by furnishing a continued incentive to moonshining, bootlegging and smuggling. These have inevitably been the concomitants of excise taxes that verge on the prohibitive or systems of liquor control that surround drinking with too many restrictions. In the United Kingdom and Denmark, for example, high taxation during the post-war decade has resulted in a decided falling off of consumption; in Switzerland moonshining has never been checked, because governmental regulations have been too severe; in the Baltic and Scandinavian countries smuggling and illicit distilling continue to flourish despite governmental efforts to furnish liquor more or less freely and at what seems, offhand, reasonable prices.

Nations, by experimenting with liquor control without a proper regard for the natural habits of men, sowed the wind and are now reaping the whirlwind. They have engendered a spirit of lawlessness on the part of populations and furnished the economic motivation for the appearance and continuance of a lawless class. That Americans will quickly slough off the attitudes and traits acquired during the past decade and revert easily to earlier habits, that they will stop drinking spirits, resent and rise up against the illicit liquor traffic, that they will be entirely satisfied for their alcoholic stimulation with a brewed beverage that is weak in content, highly taxed and relatively difficult to obtain—these miraculous changes are too much to expect.

Such are some of the imponderables that must be considered in estimating the probable consumption of beer for tax purposes. In view of the difficulties they present, I am inclined to believe that the annual per capita beer consumption will not for some time return to the 1911-14 level, when it was 20.53 gallons, but will be more nearly like the 1919 level, when it was eight gallons. On the basis of such a per capita annual consumption the total beer sales for tax purposes will not be 2,300,000,000 gallons but nearer 1,000,000,000. Taxed at $7.50 a barrel and 3 cents a pint, Congress should not expect a beer excise to bring in more than $240,000,000—indeed, $200,000,000 would be nearer the mark. It should be remembered, too, that no real saving can be hoped for by the contraction of the activities of the Federal Prohibition Bureau and Coast Guard, for a large law-enforcement machinery must continue to exist as long as the manufacture and sale of spirits remain illegal, while additional appropriations will be needed for an amplified internal revenue office. This net figure of $200,000,000, gained from a beer tax, can scarcely be regarded as comforting in view of a Federal deficit that was more than $900,000,000 at the end of November, 1932, and that may be as great as $2,000,000,000 when the fiscal year 1932-33 closes.

The quest of Congress for new revenues is not ended with the return of beer. Those business forecasters who are scanning the heavens for a sign should not be too much impressed by the luminosity of the new stellar phenomenon. If it turns only too quickly into a meteorite they will have their own enthusiasm to blame.

The German Drift to Revolution

By RICHARD VON KUEHLMANN

[Baron von Kuehlmann, after many years in the German diplomatic service, was German Foreign Secretary from 1917 to 1918. Since the war he has become familiar to Americans through his lectures in the United States and his contributions to periodicals and newspapers.]

LIKE many other Germans I hurried home to vote on Nov. 6 in the Reichstag elections. By accident I met an old friend on the train; he also was returning from abroad. "Well, are you going home to vote?" I asked. "No," was the reply. "I feel there is not much sense in voting for this Reichstag, and, besides, there is no party I feel inclined to vote for." A good many people felt the same way, although the total number of votes cast was 35,000,000—only 2,000,000 less than in the hotly contested elections of last July. Not once but a hundred times was I asked by friends, particularly by ladies, "Now, do tell me for whom we should vote? We don't dislike the present Cabinet and find that Chancellor von Papen has a good deal of personal charm. How can we vote for him?" This frequently repeated question reveals the essential difficulty in the November election.

Neither Chancellor von Papen nor his Cabinet represented any political party. Von Papen for many years belonged to the Catholic Centre party, but when he accepted office from President von Hindenburg without consulting the leaders of the Centrists he found himself outside any political group. That fact is the source of considerable difficulty in German politics. The only possible reply to the question "How can we vote for von Papen?" was "You can only do so by voting for Hugenberg." But as this leader of the German Nationalists is unpopular with large sections of the people, many voters decided they would either support Stresemann's all but defunct People's party or abstain from voting.

No one can understand the present situation in Germany without taking into consideration the powerful Hitler movement. Adolf Hitler has been swept into a position of prominence and influence by the wave of exuberant nationalism which followed the humiliation of defeat and the despair of the poverty-stricken post-war years. He has remarkable powers as a speaker and he does not shrink from flattering his audiences with rash promises. Aided by the Nationalist party of Alfred Hugenberg and supplied with funds from the treasure chest of wealthy industrialists, the Hitler movement has become the most powerful political force in Germany.

The Hitler, or National Socialist, movement is composed of many groups, but two are especially prominent—the Junker landowners and retired army officers, and the young, radical workers of Berlin and the Ruhr who in many ways are sympathetic to Communist ideals. But behind these two groups and the many others caught up in the Hitler movement is the sentiment of nationalism, a sentiment which burns at white heat. In part this heightened patriotism is the result of happenings in the nineteenth and early twentieth centuries; much more it springs from the crisis of the World War, and finally it is fed from the events of the years after the war.

Present German conditions are the result of the happenings since 1918. When the German people were sud-

denly faced with the terrible truth of overwhelming defeat in arms, a revolution broke out which swept away the Kaiser and the Princes and established a democratic republic in Germany. A single chamber elected by popular vote and a President with considerable power replaced the old Reichstag and the Emperor. In the federal States, particularly in Prussia, the small landowning aristocracy—the Junkers—continued to enjoy a good deal of influence and some sort of a privileged position in both the army and the civil service. But the day of privilege and class seemed to be over.

By the 1918 revolution the Social Democratic party, under the leadership of Friedrich Ebert, who became the first President of the new German Republic, secured control of the State. Representing the majority of the skilled workmen, the new régime, after having successfully overcome the Communists and Bolshevists, showed commendable restraint and wisdom in building up the new State. Despite the blows of defeat in battle, of revolution and of inflation, the German Reich recovered sufficiently to heal many of the wounds of the war and to resume its normal economic life. But constantly in the background was the Treaty of Versailles—the embodiment of lack of wisdom and foresight—which had taken valuable provinces from Germany and imposed the unbearable burden of reparations on an exhausted and impoverished population. All these circumstances prepared the ground for the rise of an extreme nationalism, which Alfred Hugenberg and his followers furthered by long and clever agitation.

The immediate background of the present situation is the government of Chancellor Bruening, which was called to power by President von Hindenburg in October, 1931. It is said, perhaps not without foundation, that even at the time of Bruening's appointment, General Kurt von Schleicher, as chief of the Reichswehr Ministry, enjoyed considerable influence in the inner circle of President Hindenburg's advisers. It may be that those who appointed Bruening expected from him a somewhat dictatorial attitude toward Parliament and public opinion. But Bruening, by nature and conviction a moderate and cautious man, disappointed these hopes and maintained to the end the principles of parliamentary government and was always careful to have his dictatorial emergency decrees endorsed and ratified by the vote of a Reichstag majority. Personal sympathy for this great public figure, however, must not blind us. There is no doubt that Bruening's government strained the wording of the Weimar Constitution beyond the original intent of those who drafted it. Ultimately Bruening's alleged incapacity to tackle the problem of the rising Hitlerites, coupled with his sympathy for the Social Democrats who supported him throughout, brought about his downfall.

The Papen-Schleicher Cabinet which succeeded Bruening proposed to repress the Hitlerite movement by making Adolf Hitler a responsible member of the government. This policy, it was hoped, might bring the Hitler followers into line. The Cabinet, moreover, posed before the nation as a government of national concentration. Few of these hopes materialized. The aged President could not be persuaded to entrust Adolf Hitler with the supreme power in the Reich, and Hitler, warned against the pitfalls of Cabinet diplomacy, flatly refused to become Vice Chancellor under von Papen. Relations between Hitler and von Papen, none too friendly in the beginning, rapidly developed into bitter opposition.

Hitler's movement has always borne a Janus head, as is apparent in its full name—*Nationalsozialistische deutsche Arbeiter Partei.* Here two elements are evenly mixed; the words *National* and *deutsche* appeal to the nationalistic instinct of large sections of the country, while *sozial-*

istische and *Arbeiter* are attractive to the masses of workmen who dislike the international character of the Social Democrats. The Hitlerite successes began to cause alarm as early as the Autumn election of 1930; the elections to the Prussian Diet in the Spring of 1932 were much more striking, and in the Reichstag elections of July, 1932, the party apparently reached the height of its power when it obtained 37 per cent of all votes cast and 230 seats. Thereafter the impression was general that its fortunes were ebbing, a sentiment confirmed by the election of Nov. 6, when the Hitlerites, or Nazis, lost more than 2,000,000 votes. Where did these votes go? A large number of the more advanced workmen have returned to communism—the Communists gained 800,000 votes and twelve seats. Other voters returned to the party from which they originally came, to Hugenberg's Nationalists. This explains in the main why Communists and Nationalists gained what Hitler lost. Competent observers believe that the Nazi movement is likely to lose even more heavily in the future.

The roots of the Nazi movement are to be found in the nationalistic reaction against the humiliation and extortions of an unwise peace and the economic suffering of a nation with more than 5,000,000 unemployed. The wise arrangements of the Lausanne Conference last Summer put an end to one of the principal sources of discontent and agitation—the oppressive reparation payments. Although negotiations for disarmament bristle with difficulties, statesmen who are able to watch events from close quarters are by no means pessimistic about the ultimate result. France has been, particularly on the disarmament question, the great stumbling-block, but since the Spring election of 1932 the new French Chamber seems less inclined to be as unbending as have been its predecessors. With reparations and armaments out of the way, two important issues from which nationalistic Hitlerism drew its strength will disappear.

One of Adolf Hitler's favorite arguments has been that the only choice left to Germany was whether to become Nazi or Communist. Outwardly, the two parties have been bitter enemies and, after the von Papen Cabinet granted permission to wear party uniforms and party emblems, street fights between Nazis and Communists filled the columns of the German press. Those who know the inner thoughts of the rulers in Moscow, however, have always been aware that the official Soviet policy was not to oppose the growth of Hitlerism. I have seen copies of letters in which prominent Russians defended this policy, alleging that the Nazi movement, sooner or later, was bound to break up. In that case, it was estimated that 60 to 70 per cent of the present Hitler following would automatically swell the Communist ranks. Recent developments seem to show that the Russian opinion is not far from right. Though street fights continued, a good deal of sympathy seemed to exist between the Nazis and the Communists in the short-lived Reichstag elected in July. Not long ago the Nazis and Communists cooperated in complete harmony in anti-Bruening demonstrations at Bamberg in Bavaria. During the great transport strike in Berlin, which was sprung upon an unsuspecting public on the eve of the November elections, Hitlerites and Communists worked side by side, and the Hitlerites showed themselves to be even more radical than the followers of Moscow.

Chancellor von Papen's effort to make national concentration a reality has faced great obstacles. While President von Hindenburg permitted negotiations with the leaders of the Centre, the Bavarian People's party, Alfred Hugenberg's Nationalists and the Hitlerites, he gave von Papen little leeway for his movements. At first, it was planned to ask the party leaders

whether they had any alternative plan to propose by which they would be able to establish a majority in the new Reichstag, but ultimately von Papen was commissioned only to find out whether the party leaders were prepared to support him in the realization of his program.*

The Centre party has always proclaimed that the personality of von Papen would be an obstacle to their support of the von Schleicher Cabinet, and there was no reason to expect them to be more tolerant after the November elections. As Hugenberg is credited with believing that any return to parliamentary government would be a step backward, and seems openly to favor a frankly dictatorial attitude, his support for the building up of a workable Reichstag majority could not be anticipated. Even if Hitler had been more inclined after the November elections than before to accept a Cabinet position which did not give him absolute control of the State machinery, but which assured the Nazis considerable influence in the government of the Reich, he would have faced the difficulty of persuading his radical left wing to cooperate with the Hugenberg group. We are forced, therefore, to conclude that it was impossible to expect a parliamentary majority behind the Papen-Schleicher Cabinet in the present Parliament.

If an agreement cannot be patched up between the parties, there is acute danger that a Communist vote of censure might, as in the last Reichstag, obtain a majority. The same game would then be repeated. The Reichstag would be dissolved before the vote of censure could force the government out of office, but this would be the parting of the ways. Whether a new election would be ordered or whether the Cabinet would frankly proclaim a dictatorial government cannot be foreseen. Certainly, it will be far from easy to induce the aged President to agree to a breach of the Weimar Constitution, which he has sworn to maintain. The announcement of another election is more likely, but it would be inevitable that such an election would be considered farcical. Five great elections have taken place in Germany in 1932; if they have shown anything, they have shown that existing party lines will not be considerably altered. Should large masses of voters feel convinced that their vote is no longer the decisive factor in the State, it is to be feared that many will be driven to the conclusion that a government openly relying on force to uphold its rule can be overthrown only by force.

Nearly 25,000,000 votes in Germany have been cast for parties who use the red flag and who have the word Socialist in their official name. These are the Nazis, with 11,700,000 voters and 195 members in the Reichstag; the Communists, with 5,900,000 voters and 100 members, and the Social Democrats, with 7,200,000 voters and 121 members. These three powerful parties, representing, roughly, two-thirds of the votes cast, march under the red flag. The left wing of the Centre party depends for its votes largely on the organized Christian workmen, but their federations are only a shade less radical than their Marxist fellow-workmen. If the working classes in Germany decided to use force to get rid of a Cabinet like that of Papen and von Schleicher, the seriousness of the situation can hardly be exaggerated.

Any revolution in Germany—revolution it would be—would certainly, in the beginning, show distinctive nationalistic symptoms but would rapidly become communistic. The German Communists are in close touch with Moscow; it is not too much to say that they get their orders from the Soviets. Of course, under existing conditions, a large proportion of those who vote red are not conspiring for a revolution, but a situation ripe for revolution is developing.

*This article was written before the resignation of von Papen and his Cabinet on Nov. 17 precipitated a new Ministerial crisis.

History shows that revolutions are always started by small, sometimes very small, minorities. What they need to be successful is a state of general apathy and a lack of sympathy with the existing form of government, which prevents organized resistance against revolutionary attempts. The classes that were considered the main pillars of the State in the time of Wilhelm II have weakened under the pressure of war and post-war poverty; they are not well organized and it seems far from sure whether they have retained enough self-confidence to meet a crisis. When, on July 20, 1932, the Prussian Government was driven from office by military pressure, no hand was raised to defend what must have seemed to many the legitimate government of Prussia, and only faint protests were heard. This seems to point to the existence of that widespread apathy which I am inclined to consider very dangerous.

In the early Spring of 1931 I wrote in my book, *Thoughts on Germany:* "The Treaty of Versailles set the army, the present Reichswehr, on an entirely new basis, in so far as it forced Germany to change over to a professional army, strictly limited in numbers and subjected to very narrow restrictions in the matter of equipment. This creates an entirely new state of affairs. Through all the internal disorders, the after-tremors of the convulsions of war and revolution, the Reichswehr, against all the attempts of the extremists of the Left and the Right to seize the government, remained the ultima ratio of order. Though its strength would be quite inadequate for an external war, the Reichswehr, a compact force under determined leadership, is in a position to destroy any attempt at armed opposition in the interior of Germany. A weapon of such vast importance in home politics is naturally a sort of temptation to an energetic commander to play a decisive part in the field of politics. There may have been such tendencies; but up till now there has been no public hint of any such attempts. In any event, it is a point that must always be borne in mind. Against such a risk there is only one expedient—a realization on the part of the military leaders of the imperious necessity, especially in difficult times, of concentrating the political authority, firm and unified, in one hand and one only, and a patriotic determination to sacrifice self and self-interest to the common weal." With the increase of the Hitlerite masses, which was then just beginning, it became truer every day that the only organized power in Germany was the Reichswehr. On this military force the Papen-Schleicher government depended for support.

To any one outside Germany it must be a puzzle how the German people, who since the adoption of the Weimar Constitution have seemed to consolidate their democratic republic, should now, without violent protest, submit to a régime which threatens to become more or less a military dictatorship. The principal factor is the Constitution itself, which has some fundamental defects that were bound, sooner or later, to lead to serious difficulties. The cardinal mistake was the lack of a second chamber which, in times of too erratic movements of public opinion, could exert a conservative influence. In times of stress, when violent emotions were shaking the country, it was natural to develop the President's power in order to create the sort of balance that would have belonged to an upper house of the Reichstag. This has been noticeable ever since the rising tides of Hitlerism and communism have threatened the very foundation of modern Germany. The alternative to the Papen-Schleicher Cabinet was not real democratic rule but Nazi rule, which would have stamped out democracy for a long time to come. So this semi-dictatorial Cabinet was supported or tolerated as the lesser evil.

Another capital defect of the Weimar Constitution was its neglect of

the essential German problem—the relation of the Reich and the individual States. Bismarck's Constitution, by a stroke of genius, tackled this problem, which had baffled all earlier efforts. After the disappearance of the Kaiser and the German sovereigns who had been the main pillars of the Bismarckian Reich some new arrangement was necessary, but the Weimar Constitution provided none. Only the statesmanlike attitude of Dr. Braun, the Prussian Prime Minister, made it possible to carry on without intolerable friction between Prussia and the Reich. The Papen-Schleicher Cabinet attempted a solution by merging the Reich and Prussia, but it led to a lawsuit before the Supreme Court at Leipzig and the straining of relations between the Reich and the individual States under the leadership of Bavaria. Until this formidable problem is settled a fundamental cause of unrest will exist in Germany.

The strongest influence in the present state of mind in Germany is a declining belief in the principles of democracy as practiced during the nineteenth century. Germany is close to Soviet Russia, where democratic principles and rule by parliamentary majorities are wholly denied. However glaring may be the shortcomings of Soviet rule, a certain amount of success cannot be denied to the measures taken by Moscow, while a clever propaganda in Germany makes this success appear still more convincing. Mussolini has many admirers in the fatherland and his laurels may seem tempting to gifted and ambitious younger men. The propaganda of both the Nazi and the Hugenberg party has left no stone unturned to demonstrate that only old-fashioned cranks still believe in democracy and parliamentary government, that fascism and dictatorship are the creed of the present generation. This new philosophy is spreading through the world; not only has it been accepted by many Germans but even in England, the country with the longest parliamentary record in the world, many able minds of the younger generation are imbued with Fascist ideals.

Germany's most valuable assets today are the prestige of President von Hindenburg and the Reichswehr. Both have been deeply committed to the Papen-Schleicher experiment, so much so that some observers doubt whether they could disentangle themselves should the principles behind that Cabinet finally fail. Probably the von Papen government, or one similar to it, will be backed to the utmost by both the President and the army. Much will depend on the degree of material success. If the tide of returning prosperity is running fast enough, violent change may be avoided. The revolutionary forces, led by Moscow, know that if prosperity and normal business return before revolution is successful, all hopes for an overturn must be put aside for many years. Knowing this, they will strain every nerve to make hay while the sun shines. It is the battle of Europe, nay, of the whole world, which is now being fought on German soil. The von Papen Cabinet stood for all that tradition had made venerable, and that is why many Germans gave it their support, fearful lest it prove to be the last dam against the rising floods of combined radicalism.

OHLSTADT, UPPER BAVARIA,
Nov. 14, 1932.

Freedom Under Soviet Rule

By SIDNEY WEBB

[In printing this, the third, article of a series on Soviet Russia which the editors have arranged with Sidney Webb to contribute to this magazine, it should be pointed out, in reply to various correspondents, that the purpose is to present still another point of view on one of the most controversial subjects in the world today. Mr. Webb is specially qualified to discuss the Soviet experiment, because, as G. D. H. Cole explained in his article, "The Webbs: Prophets of a New Order," in CURRENT HISTORY for November, he has devoted a lifetime to working out ideas for the kind of planned economy that as a Socialist he believes necessary for social progress. Obviously there is much to be said in criticism of Mr. Webb's standpoint and of the actual results of Soviet rule, as can be gathered from the monthly survey of events in the Soviet Union which Professor Edgar S. Furniss of Yale University contributes to this magazine from month to month, as well as from other articles that have appeared and will continue to appear in these pages from time to time. Meanwhile, the fourth of Mr. Webb's articles, "Is Soviet Russia a Democracy?" will be published in the February number of CURRENT HISTORY.]

WE still hear it asserted by those who have not been there that the system of the Soviet Union is one of subjection and virtual slavery. Yet Lord Lothian, who visited Moscow with Bernard Shaw and Lord and Lady Astor in 1931, publicly declared on his return that what was happening in the U. S. S. R. was, not the French Revolution but the Renaissance and the Reformation put together, that is to say, a great emancipation of mankind. What are the facts?

Certainly, the people of the U. S. S. R. do not look like slaves or talk like slaves. The traveler who watches the men and women thronging the streets or filling the theatres and cinemas of the cities, or the young people bicycling along the roads of the densely populated Donetz mining and manufacturing area or crowding into the clubhouses on the great State farms will not easily believe that this is an enslaved people. And if he talks to his fellow-passengers in the always crowded trains or on the Volga steamers, or if he gets opportunities of discussion, away from Moscow, with the members of trade unions or cooperative societies, he will find them grumbling in much the same way as similar people in other countries. There will be one important difference. During the past two years they have known no involuntary unemployment, and they have today no apprehension of any unemployment other than that involved in changing from job to job. Indeed, the workmen in the Soviet Union are full of pity for the American or the British worker, who is not even free to work! And what the workmen in the U. S. S. R. never complain of, even in the most private talks, is anything like subjection or slavery.

There is one unfailing mark of slavery, as of any form of enforced service in a particular establishment, namely, the inability to get away. Now, every large enterprise in the U. S. S. R., especially those newly established, complains seriously of the continual turnover of labor. Far from there being any fettering of the workman to his task there is, in actual fact, everywhere an embarrassing degree of mobility in the staffs. It is not at all unusual, in one of the new large factories, for as many as an average of 100 men per day to quit work and move away to other jobs or other districts. In the gigantic trac-

tor works at Cheliabinsk, for instance, during the first ten days of June, 1932, when a strenuous effort was being made to increase the staff, no fewer than 1,027 men, or more than 100 per day, actually left to seek other employment, while 2,188 new workers were taken on.

There is, of course, no legal or administrative prohibition of relinquishing a job. When every workman knows that there is any number of vacancies to be filled elsewhere, he is only too ready to resent the discomforts that characterize every growing city in the U. S. S. R. and to lend a credulous ear to rumors of there being, somewhere else, more varied food and less overcrowding.

Practically all the 8,000 or 10,000 managers of State works of different kinds are striving desperately to enroll additional men. Even for unskilled laborers, raw peasant youths from the villages, the demand cannot be fully satisfied. Of skilled mechanics there is such a constant dearth that managers have been seeking to "steal" them from other works by offering all sorts of inducements, until the practice had to be forbidden. The Soviet authorities themselves tempt away men only half-trained, in order to use them to start the newer factories. The director of the Stalingrad tractor works found himself so hampered by this incessant tempting away of men that he finally made an agreement that he would himself select a prescribed number of partially trained men each month, and offer them the new jobs at other works, provided that no other solicitations were made to his staff.

Needless to say, this practice of throwing up a job and moving away to some other place in search of more comfortable conditions is not a new thing in Russia. At all times the peasants have been prone to wander off on any vague rumor that things were better in some remote district. Mobility of this sort, like unpunctuality and irregularity of attendance, is an economic disease from which nearly all Soviet enterprises still suffer. Its very prevalence ought, at least, to destroy the American and British delusion as to the enslavement of the Soviet wage earners. There is repression in the U. S. S. R., and to this due reference will be made on a subsequent page. But it is not of the nature of enslavement of the manual working class.

The emancipation that the revolution has brought to the workman is, of course, not merely a rise in his standard of life, measured in material things. His thought, his energy, his ambition, have all been aroused. The new conditions of the wage contract in the industries of the U. S. S. R. are typical of the intense stimulus that is being deliberately brought to bear on the worker in order to emancipate him from the narrow limits of routine in which the wage earner in all countries usually finds himself imprisoned. Every youth in the factory—indeed, also every adult workman (for they are nearly all under 40)—is taught that it depends only upon his own efforts to what higher position he may aspire. He is not only encouraged but also assisted to rise into a more skilled grade of labor, with a higher time-work rate and much greater piece-work earnings. He can apply at any time for a transfer, on probation, to any higher grade in the undertaking, in any craft or kind of work. If he "makes good" in that higher grade to the satisfaction of the management, he is allowed to continue at it, without any question being raised as to whether he has been duly apprenticed, or any "demarcation" difficulty being encountered. The result is that in the cities very nearly the entire factory population of all ages is in attendance at technical classes. This is an effective emancipation of a kind of which even America has not too much, and in which all Western Europe lags far behind.

What is even more remarkable is the freedom of thought and of criticism that the workman in the Soviet Union enjoys, and uses to an almost

incredible extent. Whereas in Britain and France the workman may freely denounce the very principles of government and bespatter the Ministers and the municipal Councilors with personal abuse, provided only that he keeps silent about the management of the factory in which he works and refrains from criticizing or denouncing the partners in the firm or the general manager who pays him his wages or the foreman whose orders he has to obey, in the U. S. S. R. the position is reversed. The workman in a Soviet factory would be prudent not to indulge in criticisms of the Marxian philosophy, which he has not the slightest desire to do, or in denunciations of "Comrade Stalin," or in doubts about the wisdom of the Communist régime, lest he should get the reputation of being a "counter-revolutionary" and become an object of suspicion to the police, as a talkative Communist workman does in Alabama or Tennessee or in Hungary or Poland.

In the U. S. S. R. every factory operative may safely criticize the organization and working of his own factory, and even abuse and denounce his own manager and his own foreman—and he constantly uses this unlimited freedom of thought and expression, even to the extent of publicly caricaturing and ridiculing his industrial superiors in the "wall newspaper" displayed in every undertaking—with absolute impunity, fearless not merely of police measures, but also even of reprimand, let alone dismissal. In short it is safe to say that the average factory operative in the U. S. S. R. feels actually more free than the similar workman in Britain or the United States. Several of those who have, since 1917, returned from America to take up work in the Soviet Union, have expressed themselves to this effect, privately as well as publicly.

The emancipation brought about by the revolution is even more conspicuous and indubitable among the women, the children and the adolescents, who (as it is not always remembered) together make up more than three-fourths of the whole population of any country.

Twenty years ago the Russian woman, in the grades or classes comprising nine-tenths of the population, could, unless she had become a widow, never freely dispose of her life or of herself. It was not merely that she had no vote and no property of her own and only exceptionally even the freedom of separately earned wages. In the vast majority of families the girls remained unable to read or write. By immemorial custom—not confined to the areas in which Islam prevailed—the daughter remained a helpless dependent in her parents' household until she was given in marriage, usually without effective choice on her part, to a husband to whose will she became still more subject and on whom she was at least equally dependent.

Today the women in the U. S. S. R. are more effectively freed from sex disabilities than those of any other country. It is not only that illiteracy is being as rapidly got rid of among girls as among boys, and that the woman, like the man, becomes a full citizen at 18, and equally eligible for every elective office. It is not merely that in trade union and consumers' cooperative movements, both of them filling a larger place in life than they do elsewhere, there is no distinction of sex. In all occupations of life women now enter freely on equal terms with men, earning equal rates of pay and often rising by promotion to high administrative and professional positions, having as subordinates men as well as women. In the marriage relation there is equality between husband and wife, with equal freedom to divorce and, according to relative capacity, equal obligations of maintenance of mate or offspring. And in order as far as possible to overcome the physical handicap of maternity, women in industrial employment are not

only provided gratuitously with medical attendance and also hospital accommodation wherever this is available but are likewise given leave of absence on full pay for eight weeks before and eight weeks after childbirth (clerical workers six weeks instead of eight). For infant nurture the mother is allowed the necessary intervals in the factory day, and there is elaborate provision of crèches so that the employed mother may not be driven to overwork.

The traveler in the U. S. S. R. finds, accordingly, everywhere women working side by side with men in the engineering workshops as well as in the textile factories, as sailors and wireless operators in the Soviet mercantile marine, and as tractor drivers and mechanics on the State and collective farms. He sees them engaged in all the professions from telegraphy to diplomacy, from stenography to medicine, occasionally rising to posts of the highest grade. If it is impossible to measure the quality of the service, at any rate it is known that the aggregate number of women authors, musicians, actresses, singers and dancers has, during the past decade, greatly increased.

At least an equal emancipation has taken place among the children and adolescents. The school which has freed them from illiteracy has been at the same time the opening to them of a new world in contrast with their narrow homes. In these schools, with an almost exaggerated craze for modernity, there is on the one hand no punishment and on the other all sorts of devices for self-government, with a most precocious initiation into politics and public affairs. Outside the school the children are brigaded in huge organizations, such as the Octobrists (5 to 10), the Pioneers (10 to 17) and the Comsomols (the Leninist League of Youth, 17 to 25), each of them extending from one end of the U. S. S. R. to the other, with an aggregate enrolment of 6,000,000 or 7,000,000, without distinction of sex, meeting in innumerable committees and conferences for the management of their own affairs.

The Comsomols, who are organized in 70,000 cells or nuclei, hold endless meetings for all sorts of purposes, maintain their own libraries and support their own newspapers, with huge circulations, to which they contribute with youthful fanaticism. Their aggregate purchases of books are reported to be enormous, far exceeding the like purchases of Germany or Great Britain. Particularly striking is the development among them of a conventional code of conduct, marked by a growing Puritanism in the subordination of the animal instincts in order to allow of a fuller and more productive life, notably in hygiene (open windows, cold baths, &c.) and athletics (the "erotic" dancing of Western Europe being barred). It is "bad form" among the Comsomols to indulge in alcohol and tobacco or to waste time and strength on sex. There is a regular passion for "self-improvement," notably in deliberate study in order to "improve one's qualifications" for service.

Altogether, taking together the women, the children and the adolescents in the U. S. S. R., irrespective of the men, the advance in freedom of life of these 120,000,000 individuals during the past fifteen years has certainly been vastly greater in quantity than the world had ever before witnessed in a similar period. Neither the Renaissance nor the Reformation simultaneously affected the lives of anything like so great a number of individuals.

There is one other manifestation of this far-reaching emancipation of the people that must not be omitted. These millions have suddenly become voracious readers. The number of daily and weekly newspapers published in the U. S. S. R. (nearly 600) is considerably greater than before the revolution, and in many more languages, with an aggregate circulation now approaching 10,000,000, four times as

great as before. Several newspapers, with circulations exceeding 1,000,000, dispatch daily airplanes from Moscow to the north, east and south, laden solely with copies for distant subscribers. Subscriptions for any periodical publication are, as in Germany, received at any postoffice between the Baltic and the Pacific. The number of monthly and quarterly journals, specializing on every conceivable subject, for every section of the population, now exceeds 1,300, enjoying an aggregate circulation approaching 10,000,000, being vastly greater than ever before.

But it is in the number of books that the U. S. S. R. most excels. The State Publishing House at Moscow, which, though the largest, is only one among hundreds of separate publishing establishments, issued, in a recent year, no fewer than 24,500 separate books and pamphlets. This is only about half the total for the U. S. S. R. These figures greatly exceed the whole literary output of Germany, Great Britain or the United States. And the editions are colossal. The average first edition, during 1931, of a serious work on science or philosophy was 11,600 copies, being greatly in excess of the average in previous years and enormously greater than that of a German or British edition. A thick textbook on political economy was straightway printed in 100,000 copies. Of "mass literature," such as pamphlets, school primers and "outlines," the average edition in 1931 was 54,000. A speech by Stalin was printed in 2,000,000 copies. All the publishing agencies complain of "paper starvation," by which alone their editions are limited. And these publications are promptly sold. Some go out of print within a week and practically all within three months. Professors say that, unless they send instantly for a new work on their own subject, it is usually unobtainable. Every branch of every trade union or cooperative society, every educational institution, every clubhouse, every Comsomol organization has its own library and supplies its own circle of readers.

Let us now turn to the other side and consider the repression that undoubtedly exists in the U. S. S. R. This is not manifested in the multiplication of statutory or police prohibitions of personal behavior, of which the Briton or the American complains in Germany. Still less is it repression by merely social conventions, which in other countries seriously affect the practical freedom of the individual to deviate in clothing or habit, or in the visible standards or kinds of expenditure or in religious observances, from whatever is customary in his vocation, his class or his neighborhood. In all these respects the resident in the Soviet Union rightly claims to be more effectively free than the average inhabitant of the smaller British or New England cities in which every one is known.

On the other hand, in the Soviet Union every able-bodied adult is assumed and expected to work in return for his maintenance at some socially useful occupation. Although living in idleness on the interest from government loans or the State Savings Bank or on the royalties from past books or plays is not absolutely prohibited by law, it is only theoretically possible. In practice it would be severely reprobated, rendered difficult in the extreme, and drastically taxed, while it might, in particular cases, be dealt with by exclusion not only from the franchise but, what is much more important, also from membership of any trade union or cooperative society, involving relegation for all purchases to the higher prices and haphazard supplies of the open market. This practical prevention of living without service to the community is rendered all the more repressive (to such individuals as may hanker after such a life) by the stern legal prohibition of speculative buying and selling of commodities or securities, and of the "exploitation of labor," that is to say, any hiring of persons for the purpose of

making a profit by means of their work. It is, in fact, as impossible for an isolated individual to engage in business in the U. S. S. R. on his own account, if this involves any hiring of assistants, as it is for the resident in Great Britain to run a private post-office.

Another kind of repression that is made the subject of complaint is what is ambiguously termed forced labor. In this is sometimes included what is more correctly classed as prison labor, or the work imposed on persons convicted of crime as part of their sentence, whether as punitive or as incidental to their reformatory treatment. Such treatment of convicted criminals, which is not in any way condemned by the International Convention against Forced Labor, does not seem objectionable in itself. The Soviet Government is not even accused of any such perversions of the practice unfortunately still existing in various parts of America and Western Europe, as the hiring out of prisoners to contractors to be worked for private profit. Nor can the employment of convicted prisoners in economically productive labor—this being, perhaps, the only way of making the work of reformatory value—be seriously resented in a country where it can have no effect in undercutting the price or the wage in profitmaking employment. The Soviet Government has specifically denied that any convicted criminals are employed in making commodities for export, and no refutation of that denial has been sustained. Moreover, the productive labor that could possibly be obtained from convicts, even if they were numbered in thousands, would be economically insignificant in comparison with the total production or even with the aggregate exports of so extensive an employer as the government of the U. S. S. R.

What the objectors to forced labor have in mind is, however, not the work of convicted criminals, but the legal compulsion to labor imposed on groups or sections of the population at large, comparable with the obligation to repair the roads by personal service that still prevails in France as in several States of the U. S. A. and is not quite unknown in British Crown colonies. About this kind of repression it is difficult to get the facts clear. Apparently it is customary in some of the forest districts, where a large proportion of the adult male inhabitants habitually work in the lumber camps, for villages to agree in their local soviets that a specified number of workers shall be supplied from the village for employment on the wage conditions fixed by the collective bargaining between the representatives of the Timber Workers' Trade Union (to which they all belong), and the organ of the Soviet Government administering the industry. Such resolutions of the village councils bind the villages to insure that the agreed number of their men will join the neighboring lumber camp. Although the resolution does not oblige any particular individual to go, we may believe that local public opinion is coercive enough. Such a method of recruitment, under trade union conditions, which appears to have long been customary in one or other form, hardly deserves reprobation as forced labor.

What is, indeed, habitual in the U. S. S. R., if not universal, is an economic compulsion to labor as the only means of obtaining maintenance, a compulsion which differs from that prevailing in other countries only in being applicable to the entire able-bodied population instead of only to the four-fifths of the population who are not property-owners. There is, however, a case in which this universal economic compulsion to labor has apparently been converted into a measure of serious repression, and this must not be slurred over. In the U. S. S. R. there is normally, owing to the relative scarcity of laborers and the absence of social conventions, a wider and more effective freedom of choice of occupation as a wage or

salary earner than exists in any other country. But if persons are compulsorily deported to remote districts in which only one or two occupations are carried on, and these possibly such as the deportees are physically unfitted for, their deportation may not only be deemed forced labor of a particularly objectionable kind, but may easily amount to severe punishment, and one not far short of premature death.

Such were, sometimes, the conditions of exile to Siberia under the Czars. Such, it is reported, were often the conditions, to which were condemned, in 1931, of a certain number of prosperous peasants, guilty of no crime except that of belonging to the class termed kulaks, who were deported to the northern timber districts, and possibly in that way forced into the lumber camps as the only means of subsistence. In other cases the expropriated kulaks are said to have found employment in railway construction, and some of them appear eventually to have been settled on unoccupied land as members of a special collective farm, which seems a much more suitable application of their labor. If the statement is true that whole herds of kulaks were virtually forced into the northern lumber camps—and the Soviet Government has not troubled to deny it—the case seems to be one of cruel repression.

None of the foregoing cases, however, represents the kind of repression by the Soviet Government that is most seriously complained of. That government is a dominant and intolerant autocrat in intellectual matters. In whatever it considers to be its own sphere, it suffers no rival influence to exist. It allows no sort of organization of the intellectual opposition that inevitably arises from time to time in large matters and in small. It is vigilantly watchful of the least approach to what seems to be "'counter-revolutionary" in speech or writing. And this repression is exercised ruthlessly on great personages and humble folk alike, with widespread spying and delation; often, it is said, even today, without open trial or (except when deemed politically expedient) newspaper publicity, leading to severe sentences of imprisonment or punitive relegation to places where existence is but prolonged agony or even to secret execution, without information to relatives or friends.

How much truth there is in this matter, so far as the present practice of the Soviet Government is concerned, no man can say. What is certain is that such things have happened in past years, though probably in nothing like the number of cases of which rumor speaks. No sensible person would be disposed to make a lasting grievance of excesses committed during a forceful revolution or to affect surprise at the occurrence at such a time of cruelties and injustices of all kinds. Revolutions are apt to be like that. This is one reason why it is desirable to avoid them! But the Soviet Government takes no steps to disabuse the public at home or abroad of the common impression that similar action continues to be taken at the present time, whenever it is thought necessary. The traveler in the U. S. S. R. today, even if he starts unprejudiced by hostile reports, can hardly escape the impression that, although public criticism of the details of administration is more abundant and less fettered than in any other country, people are afraid to express even in privacy any fundamental objections to the Communist régime or any apprehensions of its possible failure or any preference for parliamentarism or the profit-making system. The thinkers and writers, academic or administrative, do not themselves complain of this repression; perhaps do not care to venture a complaint. But it becomes evident in intercourse that they feel a constraint not only on their expression but, what is much more serious, on their thought.

The Western world has come to believe that any such repression of freedom of thought and freedom of speech

is not only a lessening of human happiness but also in the long run a serious loss to the community itself. Unless thinkers are free to think as they please, they are on such subjects unable to think effectively at all. A censorship does not merely suppress what the Japanese Government stigmatizes as "dangerous thoughts." It inevitably interferes with and finally prevents the conception of new thoughts that are essential to the community's progress. Whatever may be necessary in times of war, every repression of the intellectual process involves, to the community as a whole, a loss none the less grave because it cannot be measured or even precisely defined. What shall it profit a nation if it preserves the authority of its government but loses its own soul?

The excuse that is made for this repression by defenders of the Soviet Government is that, like the soldiers with fixed bayonets, guarding the bridges and factories, it is an outcome of war mentality. The Soviet Union feels that it is still in danger of attack and that it must take every step to secure itself against destruction. If this is really the case, it is a calamity for the nation, which should as soon as possible be overcome. The very moment that reasonable security is attained the whole Western world would say that the Soviet Government would do wisely to allow to its thinkers the luxury, not so much of more consumable goods but, first and foremost, of greater intellectual freedom.

The suppression of freedom of thought and of utterance is not the only form of repression to which the Soviet Government is reputed to be prone. In the execution of its decisions there seems to be a cruelty and a personal injustice which is much to be deprecated. It may have been necessary to "liquidate" the kulaks, like the Orthodox Greek Church and the landowners and profit-making employers. When whole classes of persons continue to practice what is deemed to be seriously harmful to the community, the community has the right and the duty to suppress them. But all political experience shows that it is a positive injury to the community itself to make any such suppression of classes, found to be harmful to the State, the occasion for cruel or unjust treatment of individuals.

If in Great Britain it should be thought necessary to suppress any whole class, it may confidently be predicted (1) that the execution of the decree would not be left to the tumultuous "mob justice" of the local authorities of town or village without the express sanction, in each case, after a public inquiry by some superior authority of judicial nature; (2) that every person to be "liquidated" would be afforded an effective opportunity of appealing, so as to insure that action was confined to those who were individually at fault; (3) that no deportation or exile or other penalty would be inflicted without judicial trial and sentence in open court, and (4) that at least a compassionate allowance would be awarded to those unable to take to another occupation. The English people would think they did this out of humane feeling and belief in "fair play." Subconsciously it would be because they have learned that it does not, in the long run, pay a community, any more than it pays an individual, to act otherwise than justly and kindly.

There is one justification, so far as it goes, of what the English and the Americans would consider a repressive régime which is worth emphasizing, because it is one which the Western world has hitherto to its own serious detriment continuously ignored. The Soviet Government maintains its very great authority over the individual citizen because it believes in the supreme necessity, for the mental and moral as well as the economic development of the U. S. S. R., of a deliberately planned environment. The argument is that, without the General Plan, extending to all the activities of

the entire population, it is impracticable for the bulk of the people to emancipate themselves from the illiteracy, the squalor, the dirt, the disease, the vice, the crime and the abject poverty in which these many millions were sunk. Without an increase of wealth production and a universal rise in the standard of life, no mental or moral progress—in short, no rise out of barbarism—is practicable. What is required is to change the whole environment to which the average proletarian or peasant family is continuously subjected. This involves nothing less than the substitution of a deliberately planned environment for that which has come about as the result of mere animal instinct, superstition and magic, working on undeveloped natural resources. A planned environment involves widespread and continuous interference with individual desires, wills, purposes and activities.

This, however, does not necessarily mean any diminution of the aggregate freedom of the whole population. It is the environment itself which limits individual freedom, irrespective of whether the environment is or is not planned. The youth in Dreiser's *American Tragedy* is certainly shown as more coercively molded by the entirely unplanned environment to which he is subjected—and, accordingly, l free to escape moral ruin and electric chair—than the youth in U. S. S. R., for whose effective em cipation and freedom of developm an all-pervading environment is liberately planned. We must clear minds of cant.

The individual American or Brito in the vast majority of cases just much compulsorily subjected to an tremely coercive environment as individual inhabitant of the U. S. S. In fact, the Soviet Government clai that by deliberately planning the vironment of its people it largely creases their effective freedom of l The essential difference between planned and unplanned environm is that the one unavoidably affe the whole of the people, while other can be escaped from, to a gre er or less extent, by the property-ov ing and professional classes, especia if what they desire is to lead an tellectual life. It may be argued t this, which may well be the most p cious liberty of all, ought not to monopolized. "Liberty," said Lenin one occasion, "is so valuable that must be rationed." This, in brief, the Soviet case for a virtually au cratic Five-Year Plan.

The Chamberlain Family in British Politics

By S. K. RATCLIFFE

[Mr. Ratcliffe, a well-known British publicist, is a frequent lecturer in the United States. A Liberal in British politics, he is a close student of contemporary affairs in his own country and because of intimate association with the leaders of Great Britain is particularly competent to describe the rôle of the Chamberlain family in recent British history.]

WHEN the members of the British Cabinet returned home from the Ottawa Conference in September, 1932, there was not one of them, with the possible exception of J. H. Thomas, that was anxious for publicity. But the interviewers, of course, were merciless. The missionaries of empire were compelled to talk; and Neville Chamberlain, Chancellor of the Exchequer, was tempted into an utterance of filial piety which he must expect to have quoted against him for the remainder of his political life. It was to the effect that the Ottawa tariff agreements were to be regarded as important or satisfactory, because they were in the direction of a fulfillment of his father's—Joseph Chamberlain's—dream of a British Empire bound together by the ties of tariff arrangement and imperial preference.

This statement and its response in the British press made an interesting parallel to a scene enacted in the House of Commons some months earlier. The same son of the Birmingham politician had introduced in Parliament the first large and fully acknowledged tariff measure sponsored by the National Government presided over by Ramsay MacDonald. In a House crowded with Tory members rejoicing in their triumph, and maliciously delighting in the fact that the former Labor Prime Minister was their prisoner, Neville Chamberlain had made the peroration of his speech a tribute to his father.

In 1903, it will be remembered, Joseph Chamberlain left his place in the Cabinet and went into the political wilderness, finally renouncing hope of becoming Prime Minister, in order to lead and consolidate a new tariff party in Britain. Politicians of the newer imperialism were on his side, along with most of the big newspaper owners, but Balfour, the Cecils and all the Conservative chiefs who counted heavily in the country were against him. Thirty years ago free-trade argument and free-trade sentiment were too much for Joseph Chamberlain. The Tory party, rent in twain by him, was smashed at the polls three years later. And he himself was at the end of his tether. In 1906 his fellow-citizens accorded him a seventieth birthday triumph in Birmingham. Immediately afterward he suffered a physical collapse. He never looked up again, and he died soon after Europe was plunged into war.

We may then count it as one of the oddest pieces of irony in the annals of modern England that a quarter of a century after this masterful and frustrated man had passed from the scene, a mass of young Tories in the Commons should make the House ring with cheers because a son of Joseph Chamberlain had been the chief instrument in bringing to an end the historic fiscal policy of his country, thus carrying Britain into the tariff column, at a time when every country

in that column was becoming profoundly disturbed over the question of restricted or freer trade.

Fifty years ago the leader of radical England, Joseph Chamberlain, was a most remarkable product of the Victorian age. In 1880 almost everybody on the progressive side believed that nothing short of premature death could prevent his being the immediate successor of Gladstone. They were certain he would be the first radical Prime Minister of Great Britain. Not a few of them were convinced that he was destined to lead the new democracy of Britain through a parliamentary revolution, which would bring about a complete democracy, with the abolition of all social privilege and, above all, a drastic change in the land system and all the laws of property and inheritance. The transformation of Joseph Chamberlain between 1885 and 1890 was a major event in the history of modern England. No less does the position of his two sons in British politics, with their work and influence in the half generation following the elder Chamberlain's eclipse, make one of the most curious chapters in English parliamentary life.

Joseph Chamberlain was a man of unusual character and of extraordinary talents for political leadership. He ought to have been Prime Minister in the late-Victorian epoch, head of a government before the close of the great age of British expansion. He altered his direction, changed his party and never came within sight of the highest place. The elder of his two sons, Austen, was pushed into the Cabinet as his father left it. For a short spell after the World War he was leader of the Conservative party, a place he lost in 1922 through an odd misjudgment of circumstances and tendency. He held the great office of Foreign Secretary for four years. Now in his seventieth year, his active political career is over.

The younger son, Neville, we have observed in a characteristic position and attitude. He holds the second post in the National Cabinet and after Stanley Baldwin is the most conspicuous figure in the Conservative party. It is more than probable that he will be Prime Minister. There are many persons of political consequence in England today who are predicting that Neville Chamberlain will succeed Ramsay MacDonald, and that his promotion may be looked for before the year 1933 is well advanced. In view of what seems to be the virtual certainty that the composite MacDonald Government will be followed by a straight Conservative Party Government, coupled with the almost equal certainty that the diehard Tories will not again submit—for more than a short interval, if at all—to be led by Stanley Baldwin, one may well ask, without joining the more positive of the prophets: If not Neville Chamberlain, who is to be the next British Prime Minister?

Here, then, is the Chamberlain dynasty, the political trinity of Birmingham, the English Midlands metropolis. Let us consider them briefly in turn.

Of Joseph Chamberlain, born in 1836, we shall be reminded in fullest measure soon after these lines are in print, for the first part of his biography, long in preparation by J. L. Garvin, editor of the London *Observer,* is about to appear. Joseph Chamberlain was the first of a new line of English statesmen—a business man who at an early age had made a fortune in industry and so was able to devote himself wholly to public affairs before reaching his fortieth year. He had a passion for local progress, a keen civic sense, and a conception of politics as "the science of social happiness" which was extremely rare in the last third of the nineteenth century. As a civic reformer his record was most notable; his Mayoralty of Birmingham marked a clear division between the mid-Victorian darkness and a progressive modernism.

He passed swiftly from local to national politics, and in 1880 had to be

admitted by Gladstone into the Cabinet because his leadership of the left-wing Liberals was undeniable. Gladstone looked upon him as an intruder and could not accept him as an equal. The two men clashed over Ireland when Gladstone took his historic step toward home rule. We must assume that the break was inevitable, and therefore that there was nothing for it but that Joseph Chamberlain should, after a spell of mugwumpery, move into the Conservative camp and narrowly miss the ironical destiny that would have been his had Arthur Balfour not barred the way to the party leadership.

The Boer War (1899-1902) made Joseph Chamberlain known to the outside world. Mr. Garvin's study will probably show that he had no wish for war and hated it when it came. But he was the Minister most closely identified with the policy which led to war; he never sought to evade or lessen his share of responsibility for it; he held immovably to the design of conquest and annexation. And we must infer that until the end he remained unaware of the significance of the Boer War in the evolution of British power and unimpressed by the impressive fact that it was his policy and temper, as much as anything else, that set the public opinion of the civilized world decisively against Britain, until such time as a Liberal Government made the act of partial redemption by building the constitution of an equal and united South Africa.

After the peace, Joseph Chamberlain paid a visit to South Africa. We shall learn in due time what that experience meant to him. What we know now is that on returning to England he threw aside his old interests, once again changed his political course and announced his complete conversion to a protective tariff and a scheme of imperial preference. He did not understand what he was doing. He had been too much of a disciple of the Victorian free-traders to be capable of mastering the economics of an imperial customs union superimposed on a system so various and peculiar as the British Empire. His guesses and his blunders became a confused comedy, and Asquith, with his cold logic, his command of the armory of classic political economy and his weight of intellectual eloquence, followed him round the country and demolished his case point by point. Joseph Chamberlain was completely defeated. He was too old to recover. But he left a name which, by the strangest irony and the luck of an unimaginative son, became a legend to be invoked in Britain's hour of crisis and amid a gathering of Tory tariff-worshipers who do not care two straws for the work or the reputation of the first member of the Birmingham trinity.

We need not dwell upon the life and miracles of the second member. Austen Chamberlain enjoyed all the advantages which his father had missed. He went to Cambridge University and had no need to consider any profession save politics. The gate to Parliament was opened for him, and when, at 40, he was made Chancellor of the Exchequer, no one in England cared to deny the universally accepted belief that if he had borne a different surname Balfour would not have deemed him worthy, at that time, of anything higher than an under-secretaryship. He was fortunate in his family and in his time.

But let it not be supposed that Austen Chamberlain is or has been an incompetent politician or Cabinet Minister—far from it. He was thoroughly trained in public affairs. He has always known his subjects. With none of his father's endowment of personal force or power in debate or mastery of men, he made himself a good parliamentarian and a competent departmental executive. Always conscientious, he has been faithful to the older British standard of Cabinet responsibility. For instance, he resigned the Secretaryship for India on the exposure of the miserable tragedies of the Mesopotamian Expeditionary

Force, although they could not be laid at his door. He was the titular leader of the Conservative party in 1922, when Lloyd George and his Coalition crumbled. Austen Chamberlain is a loyal colleague. He knew that Lloyd George was doomed, but presumably he did not know—one wonders how he can have missed a fact so patent—that the country was tired to death of coalition politics. At any rate he resolved to stick to Lloyd George and so was not in the first Conservative Government after the war. Stanley Baldwin stepped into his place, and in so doing came in for the duty of making the British war debt settlement at Washington in 1923.

Strangely enough, however, the events of that year opened the way for Austen Chamberlain's promotion to the highest office that he was destined to fill—the Foreign Secretaryship in the Baldwin Cabinet, after Ramsay MacDonald faded out in 1924. Mr. MacDonald in the most successful six months of his checkered career had prepared the ground. Europe appeared to be at the beginning of a genuine recovery. The invasion of the Ruhr was over. The Dawes Plan was in effect. The pacts of security were coming into view. During Austen Chamberlain's incumbency at the Foreign Office the Locarno Treaty of mutual guarantee was signed and the Kellogg Pact was accepted by more than fifty nations. With the first he had much to do; with the second, nothing.

For the rest, Austen Chamberlain's term of office as Foreign Secretary was anything but distinguished. He was responsible for the abortive agreement with France which had the evil effect of reviving Anglo-American suspicions with respect to naval policy. He failed to exercise any restraint upon Winston Churchill and his associates when they were working for the frustration of the Coolidge Naval Conference at Geneva. His was the blunder in respect to the Council of the League of Nations which, in the year before Germany's admission, came tragically near to wrecking the entire Geneva system. Since then he has become a confessed believer in Geneva and the League of Nations, but as Britain's Foreign Secretary he did not attain success in Europe. His subservience to Paris was the most conspicuous feature of his policy. He was the predecessor of Sir John Simon in a course which must surely be reckoned the strangest possible on the part of a Conservative Foreign Minister—the policy that makes Britain speak and act as a power which in European affairs plays second to her nearest Continental neighbor.

Not in Europe, surely, is Sir Austen Chamberlain to be commended; but in Asia, yes. At an early stage of the present Chinese troubles he addressed a note to the powers which embodied a sound and liberal policy toward the Far East. It deserved recognition and cordial support. If that had been forthcoming, there can be little doubt that the outlook in China would be materially different from what it is.

And now the third member of the family—what of him? In British political history there is no analogue to Neville Chamberlain. Like his father, he was identified with business and local affairs in Birmingham. He was past 50 when Lloyd George, at the end of the war, found a place for him in the government, making him Minister of National Service, an office in which no man could succeed. In the post-war Conservative Cabinets he has made his way, doing best as Minister of Health in the four years between the first and second Labor Administrations. Last year, when Ramsay MacDonald, to the amazement of the world, formed the National Government, Neville Chamberlain was within call, and when Philip (now Viscount) Snowden relinquished the Exchequer his successor could have been confidently named in every newspaper office.

Snowden, faithful still to the cause of free trade, and now, on that ac-

count, an exile from the Cabinet, would not consent to do the work of a National Government when it came to the making of a general tariff. True, Walter Runciman, once of an orthodoxy no less stern than Snowden's, has done just that. Without his most efficient aid, it seems, the thing could not have been done within a year, with the Ottawa Conference standing by itself among consultative assemblies of the British Commonwealth. Without Mr. Runciman at Ottawa and Westminster, Britain would not be a tariff country to the extent that it has now become.

But when all is said, the structure is largely, if not mainly, a Chamberlain achievement. Mr. Chamberlain is a very able, industrious and conscientious public man, entirely devoted to his fiscal theory. He, as much as or more than any man, has piloted England through the shallows and rapids and has played his full part in the astounding feat of winding up the century of free trade. Ten years ago, five years ago, would any one have believed that the one great free trade country of the world could, at a time when the tariff doctrine is under fire everywhere, have passed in a few short months under a general tariff and into the bonds of a preferential system controlled, in no small degree, by her own dominions?

A very remarkable record; yet who would say that Mr. Chamberlain, on this showing, is a statesman or even an astute politician? The National Government set out with caution. It was not to make a plunge into protection, but to move with strict regard to the facts and needs of the moment, to adopt a modern realistic policy. And the task of experiment and adjustment is entrusted to the most convinced and determined protectionist in the Cabinet, one by the side of whom Stanley Baldwin is almost a free trader.

And this surprising crusader—business executive, Birmingham-trained realist, practical man with no nonsense about him—announces both before Ottawa and afterward that the facts and needs of a hard new time have very little to do with it. The temptation to fall back upon holy writ is irresistible. He says in almost as many words, Wist ye not that I must be about my father's business? This tremendous thing he has done—or so we are asked to believe—because the Chancellor of the Exchequer is the son of Joseph Chamberlain, whose dream of a tariff-controlled empire must be fulfilled.

A man of competence and purpose is Neville Chamberlain. He seems not to belong to the House of Commons. He is anything but a fine or interesting Parliamentary speaker. He does a job of departmental administration much better than most. He has industry, character, public spirit and a full endowment of popular qualities. The Tory party needs a leader, and, as I have said, it may before long need a Prime Minister. There is at present no man in the field who could hope to stop Neville Chamberlain.

The Dilemma of the War Debts

By BERNHARD OSTROLENK

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THE problem of war debts, which for a decade has disturbed international commerce and been a subject of controversy both between Europeans and Americans and between different sections of the American people, assumed a new aspect on Nov. 22 when requests by Great Britain, France and other debtor nations to the United States Government to make further reductions in their obligations led to a meeting between President Hoover and President-elect Franklin D. Roosevelt to discuss future American policy on the subject.

These debts originated in the World War. Before the United States entered the war on April 6, 1917, there had been intergovernmental borrowing among the Allies amounting to a total of about $8,000,000,000, of which $6,000,000,000 had been advanced by Great Britain. While the United States Government, because of its neutral position, had made no loans to any of the belligerents, a part of the Allied credit did come from private sources in America, such as banking and business houses that purchased the bonds of the Allied governments and those who bought American securities held by foreigners, thereby supplying the Allies with dollar balances with which to obtain war materials in America.

But with the entrance of the United States into the war, President Wilson urged the extension to the Allies "of the most liberal credits in order that our resources may as far as possible be added to theirs." By April 24 Congress had authorized a bond issue of $5,000,000,000 of which $3,000,000,000 was to be advanced to countries "engaged in war with enemies of the United States." Thus began a series of loans that totaled $7,000,000,000 during the war, $2,500,000,000 after the armistice was signed and about $740,000,000 for war relief supplies, making a grand total of loans to the Allies of $10,240,000,000.

These loans were not made in money but in credits established with the Federal Reserve Banks, which enabled the Allies to purchase goods in the United States and pay for them out of their credit balances. Practically the entire amount thus advanced to the Allies was spent in the United States. The Treasury lists a total of $11,800,000,000 expended by the Allied governments in the United States during the war, or about 15 per cent more than their total borrowings. There has been some dispute regarding the inclusion of certain purchases as not being made strictly for war purposes, and there has also been some objection to including the post-armistice purchases and debts for practically the same reason. The post-armistice debts were made because it was felt that American industries, running on a war basis, would suffer seriously if war orders were suddenly canceled. It was therefore thought advisable to make the loans to the Allies to enable them to accept the materials that had been ordered and so permit production to contract without undue abruptness. In some cases humanitarian reasons were involved, while in others considerations of price maintenance for agricultural production played a part.

The original credits were extended to the Allies on notes. After the war

Congress created the World War Foreign Debt Commission to arrange with the Allies for repayment of their debts. The act, passed in 1922, to create this commission, instructed it to collect the debts in twenty-five years and charge the debtors 4½ per cent interest. From that moment on the debts became an international problem of the first magnitude. Great Britain, the first country to discuss debt settlements with the commission, protested that the time was too short and the interest rate too high. The commission gave way on both points and made a settlement covering the British debt of $4,000,000,000 spread over a period of sixty-two years with a varying interest rate, averaging 3.3 per cent for the whole period, and making the total payments of principal and interest amount to $11,000,000,000. By an amendment adopted in February, 1923, Congress gave the commission wider powers and thereby signified its approval of the British settlement. There followed settlements with some twenty debtor nations. In each case, the nation was asked to pay the principal in full but at an interest rate varying in accordance with the formula of "capacity to pay." Thus Great Britain, Poland, Czechoslovakia and Rumania were asked to pay slightly more than 3.3 per cent; France was charged only 1.64 per cent, and Italy least of all at 0.405 per cent.

The $10,000,000,000 originally owing to the United States was funded for a total of principal and interest of $22,000,000,000. Because the government was paying more in interest on its bonds than the interest paid by the Allies, the settlements represented a partial cancellation of the debt. If the interest on United States bonds is computed at 4½ per cent, the cancellation is about 43.1 per cent; on the basis of 3 per cent interest, cancellation would amount to 23.4 per cent.

Up to Jan. 1, 1932, the United States Government had received in total payments on account of principal and interest $2,600,000,000, of which Great Britain had paid $1,900,000,000, or 73 per cent of the total; France had paid $486,000,000 and Italy $98,000,000.

During the years that followed the settlements up to 1931, a furious debate was in progress in the United States as to the wisdom of accepting debt payments from the Allies. Experts in foreign trade and economists argued that these huge payments must of necessity contract the foreign markets of the United States and flood the country with foreign goods. Another important group held that the debtors would never be able to pay. Both views seemed to be proven wrong by the fact that American exports to foreign markets kept on expanding and that the Allies were meeting their obligations in spite of the high tariff duties that sharply restricted imports. But in reply it was pointed out that the debts of the Allies were really being paid by borrowings from private individuals, corporations and banks in the United States, and when these loans ceased debt payments must stop.

The Allies had balanced their budgets by including on the credit side reparation payments from Germany and on the debit side debt payments to the United States. Between the Allies and Germany, reparation payments also gave rise to a controversy which led successively to the Ruhr invasion, the Dawes Plan with foreign supervision of the Reichsbank and the Young Plan with the Bank for International Settlements as the transfer agency in place of the Reichsbank. Germany's reparations to the Allies were fixed in 1921 at $32,000,000,000. Payments to the Allies during the operation of the Dawes and Young Plans are estimated by Dr. Hjalmar Schacht at $5,200,000,000.

The depression of 1930 made it impossible for Germany to meet its obligations, thereby threatening the budgets of the Allied countries with chaos. Fear of a world-wide financial collapse was in the air, not only

because dislocation of international government finance was involved, but also because of the probability of a breakdown of the intricate system of international private finance. Banks began hastily to withdraw their foreign balances only to weaken the position of each and all. Securities were dumped on the market by these banks in an effort to secure liquid assets with which to meet these withdrawals. It was at this time—in June, 1931—that President Hoover suggested a moratorium on Allied debts to the United States if the Allied governments would also declare a moratorium on intergovernmental debts. Great Britain accepted the plan the next day, France about two weeks later, while the other governments fell into line.

Congress, when it met in December, 1931, approved the moratorium but added the following stipulation: "It is hereby expressly declared to be against the policy of the Congress that any of the indebtedness of foreign countries to the United States should be in any manner canceled or reduced; and nothing in this joint resolution shall be construed as indicating a contrary policy or as implying that favorable consideration will be given at any time to a change in the policy hereby declared."

President Hoover's moratorium was followed by a request from the German Government to the Bank for International Settlements on Nov. 19, 1931, for the convocation of a special advisory committee under the Young Plan, on the ground that "they [the German people] have come to the conclusion in good faith that Germany's exchange of economic life might be seriously endangered" by further payment of their annuities. The Board of the Bank for International Settlements responded by appointing a committee of seven to study the question of German reparations, and on Dec. 23, 1931, the committee reported that Germany "will not be able in the year beginning in July next [1932] to transfer the additional part of the annuity." The committee also drew the "attention of the governments to the unprecedented gravity of the crisis," and stated that "in the circumstances the German problem—which is largely responsible for the growing financial paralysis of the world—calls for concerted action which the governments alone can take."

As a result of these urgent recommendations, the Lausanne conference was convoked on June 16, 1932, in order "to agree to a lasting settlement of the questions raised in the report of the Basle experts and on measures necessary to solve the other economic and financial difficulties which are responsible for and may prolong the present world crisis." The first step taken by the conference on the day it convened was the adoption of a resolution postponing "the execution of payments due to the powers participating in the conference" during the discussions. The conference, which lasted until July 9, 1932, was productive of a series of instruments, the gist of which amounted to a reduction of the reparations debt from the figure of $32,000,000,000 fixed in 1921, to approximately $714,000,000.

In the United States this virtual wiping out of all German reparation payments was greeted with a universal feeling of satisfaction, though it was tempered somewhat by the publication on the following day of a supplementary document making the Lausanne agreement conditional upon "satisfactory settlement of the war debts owed to the United States."

The action of the debtor nations in virtually canceling German reparations, but at the same time making cancellation conditional upon similar action by the United States regarding the debts, tied the two problems together and raised the question which Mr. Hoover and Mr. Roosevelt met to discuss on Nov. 22.

On Nov. 10, while Mr. Hoover was still resting at Palo Alto, his Califor-

nia home, after the strenuous effects of the campaign, the State Department received a note from Great Britain categorically stating that the debt problem "as now existing must be reviewed" and asking for a moratorium "for the period of the discussion." On the same day the administration received a note from France calling President Hoover's attention to the "heavy sacrifices" to which she had "voluntarily agreed" at Lausanne and also asking for a reconsideration of the debt problem, with a moratorium.

On receipt of these notes in Washington, President Hoover immediately terminated his vacation and started for the Capital. On his way he dispatched a telegram to President-elect Franklin D. Roosevelt in which he outlined to him the situation and called special attention to the fact that "similar requests are to be made by other governments" and that one debtor nation has defaulted on a payment due Nov. 10 and another debtor nation has served notice to our government of its inability to pay.

The President pointed out to Mr. Roosevelt that the request of the debtor governments went beyond the terms of the Congressional resolution; that, in fact, the Congressional resolution definitely limited the power of the President either in granting the extension now desired or in encouraging further discussions that might lead the debtor nations to hope for a further debt reduction. Moreover, the discussion would necessarily be protracted into the administration of President-elect Roosevelt. "Any change in the attitude of Congress," the President said, "will be greatly affected by the views of those members who recognize you as their leader and who would properly desire your counsel and advice." Because "time is of great importance in all of these questions," the President stated that he hoped that President-elect Roosevelt on his trip through Washington would "find it convenient to stop off long enough for me to advise with you," adding that he would "be only too glad to have you bring into this conference any of the Democratic Congressional leaders or any other advisers you may wish."

President Hoover's invitation to President-elect Roosevelt immediately aroused the interest of the entire country not only because of the gravity of the situation confronting the political and economic interests of the United States but also because of the unprecedented nature of the proposed conference between Hoover and Roosevelt.

Mr. Roosevelt accepted the President's invitation but also "took the liberty of suggesting that we make this meeting wholly informal and personal," and he moreover advised the President to see the Democratic leaders at his earliest opportunity because, "in the last analysis the immediate question raised by the British, French and other notes creates a responsibility which rests upon those now beset with the executive and legislative authority."

The conference between Mr. Hoover and Mr. Roosevelt was productive of no public statement, but the next day, Nov. 23, President Hoover issued a statement, reviewing the history of the debt, pointing out again that there is no relation between debts and reparations, and calling attention to the action of Congress in December, 1931, which strictly limited his authority. He believed, however, that this Congressional action did not relieve him of responsibility to exert his own opinion. He felt there was no cause for an immediate moratorium but, on the other hand, he believed that the changed world situation, especially the drop in world prices which had increased the burden of debt, made it desirable that Congress appoint a commission to take up with each nation individually and separately an adjustment of the debt based on the changed conditions. Later in the day President-elect Roosevelt issued a

statement substantially endorsing the stand of President Hoover. Instead of favoring the appointment of a commission to discuss the readjustment of the debts, he was in favor of conducting such discussion through regular diplomatic channels, presumably through the Department of State. On Nov. 26 notes embodying these views were sent to the British and French Embassies.

Two courses are open to the United States: (1) To insist upon payment of the debt in full; (2) to comply with the request of the debtor nations to discuss with them the feasibility of scaling down the debt.

If we assume the first course and demand payment and if the debtor nations default, we could not collect what is owing in any other way except by going to war, a suggestion which is ridiculous on its face and altogether out of the question as a method of debt collection.

The question therefore reduces itself to whether the Allies can pay, and if they cannot, whether it is to our interest to force them into a formal default. If the government of the United States should insist on payment it is probable that the important debtor nations, such as Great Britain and France, would probably not submit to a default, but in one form or another would raise through taxation sufficient funds at home with which to buy dollar balances abroad and meet their obligations. Those countries that would be forced into default would have their credit seriously impaired and thereby would still further hinder commercial and financial relations with ourselves and with other parts of the world. Moreover, default would be equivalent to the repudiation of the entire debt. In that event we must face the proposition that, with the exception of the more important countries, a portion of the debt would not be collected even if we insisted upon payment.

More important is the question whether, even if the debts could be paid, it would be good economic policy for America to accept or expect payment. The problem of receiving payment of such large amounts presents almost as insuperable difficulties for the creditor as making payment presents to the debtor

It has been stated over and over again that the debtors can pay to the United States only in the form of goods and services, because there is not sufficient gold in the entire world to pay more than one-half of the war debts. The supply of gold in all the central banks of forty-five countries totals $11,000,000,000, of which the United States already has a little over $4,000,000,000. If we are to accept the principle that our debtors can only pay us in goods and services, we must permit a larger amount of imports to come into the country than we export. Obviously, then, the payment of so large a debt by the Allies to the United States, irrespective of their capacity to pay, would involve important changes in the commercial policies and activities of the country and would impair industrial activity. Under normal conditions American exports pay for American imports. Debt payment is made possible only when there is a surplus of imports over exports to pay for the debts. This would not only inflict hardships on American producers, but would necessitate the debtor nations forcing exports beyond their economic limits in order to obtain adequate surpluses with which to buy dollar exchange to pay the government debts.

It has been argued that it may not be necessary for Great Britain to have a surplus in the United States—that payments can be made indirectly, for example, by Great Britain selling manufactured goods to Brazil, and that the surplus of exports from Great Britain to Brazil be used to pay for the imports from Brazil into the United States. While this method of paying debts is entirely possible and in fact is common, the debts would still have to be paid by goods. What

is proposed means that American exporters to Brazil would have to reduce their exports in face of the onslaught of British exports there and that instead of giving a favorable balance of trade to Great Britain we would give it to Brazil. By this process we merely shift the favorable balance of trade; we are still confronted with the fact that there must be an excess of imports over exports.

The American people have refused to recognize this principle and, while insisting upon full payment of the debts, have at the same time placed a series of obstacles in the way of debt payment, which can be summarized as follows:

(1) On two occasions they have increased the tariff in order to prevent imports, thereby creating further difficulties for the debtor nations. (2) The policy of forcing exports from the United States has been in direct opposition to the principle of accepting debt payments. (3) Immigration restriction has stopped the flow of American funds abroad to pay for transportation and other immigration remittances. (4) The shipping policy of the United States, whereby in one form or another domestic shipment was subsidized, took away freight, passenger and other payments for surpluses from foreign shipping companies.

In reply to the statement that we must either collect the war debts or else modify our international commercial policy, it has been suggested that the debtor nations, instead of paying for their debts in goods and services, might borrow the money with which to pay. This, of course, is not paying the debts, but merely transferring them from the government as a creditor to private organizations and private people. Actually, this has been the course of the debts for the past decade. Foreign municipalities and private interests and even governments have floated bonds in the United States, the sale of which created balances in our banks in favor of those foreign institutions. Taxation in excess of governmental expenditures gave the foreign governments a surplus domestic fund with which to buy those foreign dollars in the United States and use these credits thus purchased for payment of their debts to the United States Government. Thus payments have been effected that have been described and denounced as "robbing Peter to pay Paul." The United States Government by this exchange received a total of $2,600,000,000, but foreign loans in the form of bonds for the amount of $9,000,000,000 were floated in the United States and were bought by banks, insurance companies, corporations and private individuals.

Another argument put forward is that the debts could be paid by the foreign governments if they reduced their armaments. But there is in reality no relation between a government's ability to pay its debt to America and the reduction of its expenditures for armaments. Two things are necessary for a foreign government to pay its debt: (1) A surplus of income over receipts. The reduction of armaments by foreign governments would contribute to such surplus. But this surplus of foreign currency must be converted into dollars or, as the experts say, transferred into the United States. This transfer can only take place when there is (2) a surplus of exports over imports from the debtor country to the creditor country enabling the debtor country to buy the balance thus created with the surplus funds in its treasury. If Poland were to beat its swords into plowshares it still would be unable to pay its debts to the United States except by a dollar balance

Again, it has been suggested that we might use the war debts to bargain with the debtor nations for an enlarged or monopolistic market for American goods. That simply means bribing a foreign government by a cancellation or partial cancellation into reserving their market for American

goods. But once more we would have to permit imports from this foreign country to pay for the exports to it. It boils down to a reciprocity agreement, which involves a debt cancellation. It in nowise invalidates the original proposition that we must permit imports of goods in payment for exports.

Finally, there are those who argue that we do not need any export trade at all, that even during the peak of our foreign trade in 1929 not more than 10 per cent of the goods manufactured in the United States were exported, that the loss of this small percentage of exports would not be heavy, that it might be possible to establish American prosperity by putting the country on a self-sufficing domestic basis and that we may therefore safely leave the debt problem alone, insist upon payment, but put up virtual prohibitive tariff barriers against all imports.

It may be true that only 10 per cent of our total production is exported, but let us remember that in 1929 we exported 17 per cent of our wheat, 30 per cent of our tobacco, 50 per cent of our cotton, 25 per cent of our corn in the form of pork and beef and 40 per cent of our copper. In brief, the abolition of our export market would destroy from one-fourth to one-half of our agricultural activity. A large part of the present depression, in fact, may be attributed to the disappearance of the export market for agricultural products. Again if we admit that these commodities and others should be exported we must permit imports to pay for them.

Without in any way digressing now on the difficulties of making payments, a problem that confronts the debtor countries, the difficulties of receiving those payments in the United States seem insuperable. It would further petrify the productive capacities of industry, commerce, agriculture and labor.

Looked at realistically, the problem confronting America today is not whether Europe can or ought to pay, but whether our own enlightened self-interest makes it desirable that Europe should pay. If we approach the question from that point of view we cannot help regretting that so much ill-informed comment has been aroused by the requests of the debtor nations for a moratorium and further discussion looking to readjustment of their obligations to us. It is, however, a hopeful sign that recognition of the facts set forth here is gaining ground.

Maine as a Political Barometer

By ERNEST GRUENING
Editor, Portland (Me.) Evening News

"AS Maine goes, so goes the nation," has become a political maxim. Did Maine, in the recent election, justify the widespread belief in her dependability as a political barometer? And what is the reason for the interest in what Maine may do, and in how she may "go," in Presidential years? The Pine Tree State, though but thirty-fifth in population among her sister Commonwealths, owes this pleasurable prestige and nation-wide attention to the holding of her elections before all other States. In Maine, primaries take place in June and the interparty contests for Gubernatorial, Congressional, legislative and all lesser offices are decided on the second Monday in September, leaving in Presidential years only the Presidential electors to be voted for in November.

Maine first entered the national spotlight as a political oracle in 1840. That was the year the Whigs capitalized the growing discontent against Jacksonian policies, which in their view had been carried forward by Jackson's political protégé, Martin Van Buren. The contest promised to be close. Displaying a harmony unusual in an aggregation united almost solely by discontent with those in power, the Whigs nominated 67-year-old General William Henry Harrison for President and John Tyler for Vice President. The Democrats renominated Van Buren. The campaign was unprecedented for buncombe and balderdash. A very dubious victory over the Shawnee Indians twenty-nine years before at Tippecanoe, on the banks of the Wabash, had given the old frontiersman the nickname of "Tippecanoe." This was exploited to the fullest during the campaign to the accompaniment of emblems of log-cabin and barrel, the latter presumably filled with hard cider, as symbols of the candidate's rugged qualities.

In Maine the Democrats or, as they had been called somewhat earlier, the "Democratic Republicans," had had a definite preponderance in the preceding decade. Since 1829, the year of the first interparty contest in that State after the disappearance of the Federalists in 1823, the Democrats had lost only one of the annual Gubernatorial contests. But in 1840 the country was startled to learn that Edward Kent, Whig, elected Governor three years previously (in the off year 1837) and twice defeated in the intervening elections, had beaten Governor John Fairfield, Democrat. Throughout the land this unexpected reversal was hailed as an augury of victory in November with the refrain:

> Oh, say, have you heard how Old Maine went?
> She went Hell-bent for Governor Kent,
> And Tippecanoe and Tyler, too!

The forecast was fulfilled. Instead of being close, as anticipated, Harrison's victory was overwhelming, with 234 electoral votes to Van Buren's 60.

Since then the results in Maine have been watched with keen interest all over the nation, and those whom they seemed to favor have consistently made political capital therefrom. These, for a generation, have been almost wholly Republicans. Actually, the Maine results, though suggestive of a national trend, have proved false as a political barometer sufficiently often to discredit the down-east oracle. Analysis of the vote since 1860, when Republicans and Democrats

have constituted the major contenders, will enable us to gauge the value of Maine's past omens.

From 1860 to 1876 Maine elected Republican Governors and the nation Republican Presidents. In 1880 the Democrats and Greenbackers in Maine united to form a fusion party, the Greenback Party having in the previous State election in 1879 polled more than double the Democratic vote. The fusion candidate beat the Republican for the Governorship by the scant margin of 169 votes out of 147,802 cast. Without fusion, the Republican would have been elected overwhelmingly. The national result was therefore consistent in the election of the Republican President, James A. Garfield, for in the nation there was no such alliance. Actually the national result followed Maine's more closely than ever before or since. In the popular vote Garfield had only a plurality, not a majority. With 9,218,251 votes cast for four parties (Republican, Democratic, Greenback and Prohibition) Garfield's vote exceeded the Democratic candidate's, Winfield Scott Hancock, by only 9,464, while James B. Weaver, the Greenback candidate, polled 308,578.

Maine failed as a barometer in 1884, when the Republicans elected the Governor by a decisive majority and the nation elected Grover Cleveland. It failed again at Cleveland's second election in 1892. It failed correspondingly to foreshadow the two Wilson victories of 1912 and 1916, when Republicans were chosen Governors of Maine. This discrepancy was all the more remarkable because in the off years 1910 and 1914 Maine elected, in Frederick W. Plaisted and Oakley C. Curtis respectively, the first Democratic Governors since the founding of the Republican Party—unless we except Harris M. Plaisted, the Greenback-Democrat fusion winner in 1880.

Since then Maine has until last Fall been consistently Republican in its State elections, while the nation went Republican in November.

What happened in this last election?

Maine's unprecedented swing to the Democrats last September was an important landmark in the 1932 campaign. Though in the 1930 Congressional elections a sufficient number of Congressional contests had been won by Democrats to give them a slight majority in the House of Representatives, it is well known that the "off-year" elections almost invariably record a swing from the party in power, which presumably has registered its maximum strength at the Presidential election two years previously.

From the beginning of the campaign it was generally known that, owing to the depression, the Republican vote would be substantially reduced in the November election. But it was also known that the Republicans—judging by the results of the last Presidential election—had an enormous margin of safety to offset possible defections. They had, in 1928, secured 444 electoral votes to the Democrats' 87. They could afford to lose 178 of those votes and still win. While individual opinions might differ, there was certainly no widespread, preponderant and firmly held belief in the United States at the start of the campaign that one party or the other was assured of victory. But during July and August a marked and extraordinarily maintained rise in the stock market, coupled with other indications that the long-awaited corner had been turned, gave rise to a far-flung belief that the depression had been conquered and that, by that token, the Republicans' chances had been enormously enhanced. Then on Sept. 12 the news that Maine had "gone Democratic" burst like a bombshell on the nation.

There had been expectation that the normal Republican majorities would be reduced—substantially reduced. But Democratic victory—that was scarcely hoped for by even the most sanguine Democrats. And there was

good ground for feeling that Maine would stay in the Republican column. For, although Maine has long been Republican, and Democratic victories few and far between, two events since the previous Democratic victory, in 1914, seemed to portend that Maine, more than ever before, was irretrievably Republican. Those two events were the Eighteenth and Nineteenth Amendments.

Maine, in addition to having a reputation as a political barometer, has the distinction, if it is distinction, of being known as "the cradle of prohibition." As early as 1833 Neal Dow, "father of the Maine law," began preaching against the abuse of liquor, which was intense in his State at that time. For over a decade he continued his forceful campaigning and succeeded in securing the adoption of the first State prohibitory law in 1846. Public sentiment supported this reform, and an even more stringent law was adopted in 1851. These were the first measures of their kind adopted by any State, and, but for one brief period, prohibition has remained on the Maine statute books. Its place there was apparently strengthened when women secured the vote by the Nineteenth Amendment.

In Maine, moreover, the Republican party has been traditionally the "dry" party. And in 1920 that party was the most active and successful in enrolling the newly franchised women. The last two amendments, it was generally conceded, further strengthened the Republicanism of the State.

Continued defeat and absence from the festive board of party victory and spoils sapped the enthusiasm and vitality of what was left of the Democratic party. In many communities once active Democratic organizations had all but disappeared.

This disappearance was speeded by the adoption of Maine's primary law, which permits those not definitely enrolled either as Republicans or Democrats to vote in whatever primary they choose. In consequence, thousands of Democrats, losing interest in a primary contest that was in all likelihood not determining who should be future office holders, voted in the Republican primary, where the real election to office took place. These Democrats were, of course, free to vote for their own party in September, but little by little many of them, from force of habit of voting in Republican primaries, decided that they were politically better off in that party.

How startling were the results of Sept. 12 in Maine may be gauged from the figures when the votes were counted:

In the contest for Governor the vote was: Brann, Democrat, 120,353; Martin, Republican, 118,800, a majority of 1,553 votes, or a swing to the Democrats from the 1928 election of 84,034 votes. How great was the shift this time was revealed by such facts as these: In 1928 the Republican candidate carried every one of Maine's sixteen counties. In 1932 the Democratic candidate carried eight and lost eight. In 1928 the Republican candidate carried eighteen out of twenty Maine cities—all but Lewiston and Biddeford, where dwell large communities of Franco-American Democrats. In 1932 the Democratic candidate carried fourteen out of the twenty cities and, excepting Portland, which he lost by only 778 votes, and South Portland, the other cities he lost were the small, unimportant, down-east cities of Eastport, Calais, Ellsworth and Brewer. In 1928 the Republicans' city majority was 20,546. In 1928 the Democrats' city majority was 9,178.

Maine was redistricted two years ago and the number of its Representatives reduced from four to three. In 1928 Maine elected all four Republicans to Congress. Moreover, their majorities were impressive—over two to one in the First District, just under two-to-one in the Second, over three to one in the Third and Fourth. It was not a contest in any of them—just a procession.

In the First District, Carroll L. Beedy (Rep.) was re-elected over Judge Joseph E. F. Connolly (Dem.) by 41,112 to 39,356 votes. In the Second District, Edward C. Moran Jr. (Dem.), defeated in 1928 and 1930 for the Governorship, beat the highly esteemed veteran, John E. Nelson (Rep.), by 44,490 to 40,703. In the Third District, the Democratic candidate, John G. Utterback, a former Mayor of Bangor, was reported on the first count to have beaten former Governor Brewster by 34,570 to 34,224. Later, gross irregularities uncovered in the vote of sixteen entire precincts along the St. John River, where the population is Franco-American, indicated a probable contrary result by a somewhat larger margin.* Nevertheless, if viewed apart from local and personal factors, a great shift in party allegiance was recorded, for in 1929 the counties which now compose the Third Maine District went Republican by 44,497 to 14,532.

Out of the seventy-two years since 1860, Republicans have represented Maine in Congress *exclusively* in sixty. In other words, during five-sixths of that time the Democrats were not represented at all. Since 1860 only five Democrats have been sent by Maine to Congress—and from 1860 to 1862 Maine had six seats in the House; from 1862 to 1882, five, and from 1882 to 1932, four. Never, except in two periods of unusual division among their opponents, have the Democrats managed to get more than one member of Congress. During the rise of the Greenback movement and the great desertions from the local G. O. P., the Democrats managed in the years 1879 to 1883 to win two out of five seats. From 1911 to 1913, during the Bull Moose split, they also had two out of four. But in 1932 they captured one seat, have claim to a second and came close to taking a third.

In the State Legislature the Democrats increased the number of seats from 31 to 56 in the House and from no seats to seven in the Senate.

In short, Maine registered in September the greatest political upset in two generations and inflicted the worst defeat on the Republican party since its founding. If Maine had any value as a political barometer, the local result presaged not merely a Democratic victory in November but an overwhelming one. That the Maine

*Behind this contest lies a long-standing and bitter G. O. P. factional fight. Though Brewster has always been a Republican, he has been "progressive" and has refused to be bound by the dictates of the State G. O. P. machine, which for the last seven years has been closely identified with the Insull interests. In 1927, as Governor, Brewster vetoed their bill to export hydro-electric power from Maine. The party organization decreed his political extinction. The measure, reintroduced two years later, was signed by Governor William Tudor Gardiner, but defeated by the people in a referendum after a campaign unprecedented for the lavish use of money by the Insull companies. Mr. Brewster was defeated in primary contests for the United States Senate in 1928 and 1930, and decided to run for Congress from the eastern part of the State, where his great popular strength has always been. His victory over a field of four in the primary apparently a foregone conclusion, the Republican organization entered in the Democratic primary, in which three Democrats were contesting, a fourth candidate, John G. Utterback, who had never been affiliated with the Democratic party. Members of the State G. O. P. organization supported him, the Republican national committeeman from the State working openly for the Democrat, and apparently secured his election by 346 votes. Upon discovery of several hundred votes cast in violation of the electoral statutes, the Governor and Council asked an opinion of the State Supreme Court whether they had a right to exclude these votes. The Supreme Court rendered the opinion that it was mandatory upon the Governor and Council to do so. A motion in the Council would have been carried by four to three, but Governor Gardiner added his vote in opposition, making a four-to-four tie, thus defeating the motion, which would have meant certifying Brewster's election. It is significant that two of the three members of the Council voting against the motion were revealed by the Federal Trade Commission as having been on the secret Insull payroll in the export of power fight in 1929. The result of the Third District election is now at a deadlock, neither candidate having received a certificate of election. The Maine courts or Congress may render a further decision.

result was widely interpreted as an omen of Democratic victory in the eight weeks between the Maine and national elections is a matter of record. The Democrats became jubilant; the Republicans made the episode the occasion for pleas for a more intensive campaign. For the first time in this generation the Democrats were able to capitalize the Maine result; the Republicans were obliged to attempt to discount it. Considering the many years in which they had utilized the earlier Maine result for its psychological value on the electorate, they were unable to disparage the Maine showing, nor did they attempt to do so. Instead, they spread the impression that the earlier vote in Maine—like the first telltale straw votes—did not represent the election day convictions of the American people, that there had been a subsequent revulsion of feeling in favor of the Republicans, an eleventh-hour surge. The propaganda apparently proved both baseless and ineffective. But Maine as a barometer redeemed its tarnished reputation when forty-two out of forty-eight States on Nov. 8 gave the Democrats the largest electoral majority in American history.

One question remains to be answered: How was it that Maine, Democratic in September, was not only found in the Republican column in November but by the substantial majority of about 40,000? Several factors contributed to this result. While the pre-September campaign in Maine was waged on national policies, underneath the surface there was considerable dissatisfaction with the Republican State administration, which had been deemed by many, without regard to party affiliation, to have been inept and incompetent in the last four years. There was a widespread feeling that "the Kennebec gang" should be removed from office. The Republican candidate, Senator Martin, a resident of the State capital, nominated in the primary out of a field of five, suffered somewhat from the odium which the preceding administration had incurred. He likewise, though little definite was alleged against him, was deemed a politician of the fence-straddling type, a "glad-hander" who was "all things to all men," who committed himself on as few issues as possible. His failure to reply to a newspaper questionnaire, which was fully and frankly answered by all but one of the other Republican candidates, and by all five of the Democratic candidates in the primaries, including, of course, his successful opponent, doubtless strengthened the prevailing impression about Senator Martin.

Next, the Democrats were united as they seldom have been. The day after the primary the four defeated Democratic Gubernatorial candidates united their strength and followers with those of the winner and worked wholeheartedly for the success of their party. No such harmony prevailed in the Republican camp. Finally, the Republicans were taken by surprise. For two years John H. Dooley, the Democratic State Chairman, had been quietly organizing the State. Committees were formed where none had existed for years. They functioned on Sept. 12.

But that election over, the Democrats, exhausted by their hard struggle, made with inadequate funds, relapsed into inactivity. Doubtless they felt that they had made their contribution to national success by their September victory. The Republicans, on the other hand, stung by defeat, worked hard to redeem themselves. They campaigned vigorously in the weeks preceding election, used the radio extensively and spent large sums in newspaper advertising. In consequence, Mr. Hoover and Mr. Curtis defeated Mr. Roosevelt and Mr. Garner—in Maine.

But Maine has demonstrated that despite occasional lapses the State barometer of September can still forecast November weather for the nation.

American Policy Toward Russia

By VERA MICHELES DEAN
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THE decisive defeat suffered by President Hoover, long regarded as a leading opponent of Soviet recognition, has aroused considerable interest in Moscow, where it is hoped that the new administration may undertake a re-examination of American policy toward the Soviet Union. This hope is strengthened by the fact that public opinion in the United States is probably more favorable to recognition today than at any time during the past fifteen years—a development which may be attributed in part to the expectation that recognition will bring an increase in Soviet-American trade, and in part to the realization that peace in the Far East can be permanently assured only with the cooperation of the Soviet Union.

In view of the renewed discussion of American relations with the Soviet Union, it is of interest to trace the course of our policy and to examine the principles on which it is based.

The abdication of Czar Nicholas II in March, 1917, and the establishment of a provisional government with Prince Lvov at its head, was greeted in Western countries as a triumph of democracy and as an assurance that the Russian people would prosecute the struggle against the Central Powers with renewed vigor. Mr. Francis, American Ambassador to Russia, declared that the revolution was a practical realization of the principle of "government by the consent of the governed," and urged prompt recognition by the United States of the Provisional Government. This took place on March 22.

Although the Provisional Government had been forced from the start to share political power with the Soviet of Workers' and Soldiers' Deputies, the United States continued to regard the former as alone representing the Russian people. The entrance of the United States into the World War early in April having materially increased our interest in Russia's future, President Wilson appointed a special mission to Russia, headed by Elihu Root, former Secretary of State. The task of this mission was "to manifest to the Russian Government and people the sympathetic feeling which exists among all classes in America for the adherence of Russia to the principles of democracy," and to establish a basis for common action against the autocracy of the Central Powers. The Root mission, whose personnel was criticized by Russian Socialists as unduly conservative, apparently confined itself to studying the attitude of the landowners and the bourgeoisie represented in the Provisional Government, and on his departure in July Mr. Root stated that he and his colleagues had "found no incurable or organic malady in the Russian democracy." Similar optimism was expressed by John F. Stevens, head of the American railway mission sent to Russia in May, 1917.

Meanwhile, Boris Bakhmeteff, the official representative of the Provisional Government, had been received in Washington on July 5, when President Wilson voiced the belief that Russia would "assume her rightful place among the great free nations of the world." The United States, which had already advanced $100,000,000 to the Provisional Government in May, granted further credits to M. Bakh-

meteff for the purchase of war material. The money thus lent to the government of Prince Lvov, who in July was succeeded as Prime Minister by Alexander Kerensky, totaled $187,729,750 by November, 1917, when credits were discontinued, and constitutes the principal of the Kerensky debt to the United States.

On Nov. 7, 1917, the Bolsheviks, who had gradually gained control of the Soviets of Workers' and Soldiers' Deputies, established a "dictatorship of the proletariat." In addition to announcing its intention to terminate the war, the Soviet Government immediately nationalized the land, took possession of banks and factories and separated the church from the State and the school from the church. The principles proclaimed by the new government not only challenged existing political and economic institutions but created the danger that Germany, having come to terms with Russia, would concentrate all its forces on the western front. In his message to Congress of Dec. 4, 1917, President Wilson referred to the November events as "the sad reverses which have recently marked the progress of their [the Russians'] affairs toward an ordered and stable government of free men." Refusing to communicate officially with Trotsky, People's Commissar of Foreign Affairs, Ambassador Francis left Petrograd for Vologda in February, 1918, but maintained unofficial contact with the Soviet Government through Raymond Robins, head of the American Red Cross, who remained in Petrograd until May, 1918.

The Soviet Government had meanwhile initiated peace negotiations with the Central Powers at Brest-Litovsk. President Wilson, however, believing that the Russian people, as distinguished from "their present leaders," might yet be won to the cause of the Allies if correctly informed regarding allied war aims, set forth the fourteen points of his peace program in a historic address before both houses of Congress on Jan. 8, 1918. The sixth of these points urged

> The evacuation of all Russian territory and such a settlement of all questions affecting Russia as will secure the best and freest cooperation of the other nations of the world in obtaining for her an unhampered and unembarrassed opportunity for the independent determination of her own political development and national policy and assure her of a sincere welcome into the society of free nations under institutions of her own choosing.

The American Government, while maintaining an attitude of "watchful waiting," expressed no open hostility to the Soviet régime, and believed that the Russian people were entitled to the aid and sympathy of the United States in a period of political transition. Nor was this attitude altered when the Soviet Government dissolved the Constituent Assembly which had been finally convened in January. Even after the publication on Feb. 8, 1918, of the Soviet decree annulling all State debts contracted "by the governments of Russian landowners and Russian bourgeoisie," which included the Kerensky debt to the United States, President Wilson, in a message to the All-Russian Congress of Soviets on March 11, stated that, while the American Government "unhappily" could no longer render direct and effective aid, it would still seek "to secure to Russia once more complete sovereignty and independence in her own affairs."

The Soviet congress replied with a resolution which has been described as "a slap in the face." After expressing gratitude for the sympathy of the American Government, this resolution voiced the hope that "the happy time is not far distant when the laboring masses of all countries will throw off the yoke of capitalism and will establish a Socialist state of society, which alone is capable of securing just and lasting peace, as well as the culture and well-being of all laboring people."

Neither this resolution nor the ratification of the Brest-Litovsk treaty in March, 1918, which ended the war be-

tween Russia and Germany, shook the conviction of the United States that the Russians remained its "friends and allies against the common enemy." Acting Secretary of State Polk supported this view by arguing, in a memorandum of March 12 to the Japanese Chargé d'Affaires, that there was "in fact, no Russian Government to deal with," and that "the so-called Soviet Government upon which Germany has just forced, or tried to force, peace, was never recognized by the government of the United States as even a government *de facto*. None of its acts, therefore, need be officially recognized by this government."

Russia's withdrawal from the World War did not long remain unchallenged. In March, 1918, the Allies had urged American participation in an armed intervention, whose avowed purpose was to strengthen the Eastern front, disrupted by Russia's defection, and to protect Czechoslovak prisoners, then on their way to the Pacific, and thence through the United States to France, against alleged attacks by Austrian and German prisoners. President Wilson, who had at first opposed intervention, apparently yielded to allied pressure and to American public opinion, which favored some form of military assistance to Russia against Germany, and on Aug. 3, 1918, issued a statement officially initiating American intervention. The United States was to cooperate with France and Great Britain in North Russia and with Japan in Siberia.

That this decision had been reached only with reluctance was indicated by the statement itself. The opening paragraph declared that "military intervention would be more likely to add to the present sad confusion there than to cure it, and would injure Russia rather than help her out of her distress," and that it was more likely to become "merely a method of making use of Russia than to be a method of serving her." Moreover, it was emphasized that the object of American intervention was "to guard military stores which may subsequently be needed by Russian forces and to render such aid as may be acceptable to the Russians in the organization of their own self-defense." An American expeditionary force of 7,000 men, commanded by General William S. Graves, was accordingly sent to Vladivostok in August, and a contingent of American troops was landed at Archangel in September.

Begun as an act of war against Germany, the Allied intervention was continued after the armistice of November, 1918, presumably to enable the Russian people freely to choose their political institutions. The assistance of the Allied governments, notably the French and British, to such counter-revolutionary leaders as Wrangel, Denikin and Kolchak, gave the intervention a distinctly anti-Soviet character, which the Allies did not try to disprove. The end of the civil war in 1920, however, and the establishment of undisputed Soviet control over what had been the Russian Empire, removed all justification for the continuance of intervention. The American expedition to North Russia had been already withdrawn in June, 1919, and on April 1, 1920, the last of the American troops left Siberia.

With Allied forces still on Russian soil, the Paris Peace Conference attempted to define its policy toward the Soviet Government. Lloyd George and Wilson wished to invite representatives of all Russian parties, including the Bolsheviki, to Paris, but Clemenceau and Orlando refused to deal with the Bolsheviki, despite Lloyd George's arguments that the latter were "the people who at the present moment were actually controlling Russia." Finally it was agreed that all organized Russian parties should be invited to meet at Prinkipo, in the Sea of Marmora, and a proclamation to that effect, drafted by President Wil-

son and approved by the Council of Ten, was issued on Jan. 22. The Soviet Government accepted the invitation on Feb. 4, but the other parties refused to negotiate with "traitors" and "criminal usurpers."

Undismayed by this failure, the United States and Great Britain attempted to deal directly with the Soviet Government. William C. Bullitt, attached to the American delegation to the Paris Peace Conference, was sent to Moscow in February to study Russia's political and economic condition—a mission which was known only to the American and British delegations in Paris. Mr. Bullitt interviewed Lenin, Chicherin and Litvinov, from whom he obtained the terms that the Soviet Government was prepared to discuss at a peace conference on neutral territory. The Bullitt report to President Wilson, which stated that the Soviet Government had become permanently established, was never formally submitted to the peace conference, nor was it published at that time. Preoccupation with the terms of the German peace treaty and renewed hope that Kolchak might soon overthrow the Soviet Government caused the abandonment of the negotiations undertaken by Mr. Bullitt. Intercourse with the Soviet Government ceased completely, and the Allied and associated powers, acting through the Supreme Council, sought to effect Russia's economic isolation—an aim that was not abandoned until 1922.

The United States, which after 1919 wished to avoid further entanglements in Europe, appeared to ignore the existence of the Soviet Government. No export licenses were issued for trade with Russia, and M. Bakhmeteff continued to be recognized as Russian Ambassador until 1922, although the government he represented had long since passed into oblivion. The motives determining American policy or lack of policy toward the Soviet Government were set forth in a note of Aug. 10, 1920, addressed by Secretary of State Colby to Baron d'Avezzano, Italian Ambassador in Washington, who asked for the views of the United States concerning the war then in progress between Russia and Poland. [The full text of the note was reprinted in CURRENT HISTORY, August, 1930, pages 916-918.]

The Colby note, the main principles of which have been reaffirmed by successive Secretaries of State, reiterated the sympathy of the American Government "for the efforts of the Russian people to reconstruct their national life upon the broad basis of popular self-government" and its faith in Russia's future. The United States was in hearty accord with the desire of the Allies for "a peaceful solution of the existing difficulties in Europe," but was unable "to perceive that a recognition of the Soviet régime would promote, much less accomplish, this object," and was therefore "adverse to any dealings with the Soviet régime beyond the narrow boundaries" of an armistice. "The rulers of Russia," Mr. Colby declared, "do not rule by the will or the consent of any considerable proportion of the Russian people." While the United States had no desire to interfere in Russia's internal affairs, it hoped that the Russians "will soon find a way to set up a government representing their free will and purpose." The unwillingness of the United States to recognize the Soviet Government, however, was determined not by its disapproval of Russia's political institutions, repugnant as these were to American traditions, but by the attitude of Bolshevik leaders with respect to debts and propaganda. The Soviet Government's "disregard" of international obligations and its connection with the Third International, which advocated world revolution, constituted insuperable obstacles to recognition.

In the view of this government [Mr.

Colby proceeded], there cannot be any common ground upon which it can stand with a power whose conceptions of international relations are so entirely alien to its own, so utterly repugnant to its moral sense. There can be no mutual confidence or trust, no respect even, if pledges are to be given and agreements made with a cynical repudiation of their obligations already in the minds of one of the parties. We cannot recognize, hold official relations with, or give friendly reception to the agents of a government which is determined and bound to conspire against our institutions; whose diplomats will be the agitators of dangerous revolt; whose spokesmen say that they sign agreements with no intention of keeping them.

M. Chicherin, People's Commissar of Foreign Affairs, answered Mr. Colby's note in a communication transmitted to Baron d'Avezzano by Ludwig Martens, who had acted as unofficial Soviet representative in the United States since 1919. The Soviet Government declared that "the elementary economic needs of the peoples of Russia and of other countries demand normal relations and an exchange of goods between them," and that it was fully aware that "the first condition of such relations is mutual faith and non-intervention on both parts." No reply was returned to this communication, and Mr. Martens not only failed to be received by the State Department but was forced to leave the United States in 1921. On July 7, 1920, however, the American Government removed the restrictions on trade and communication with Russia, stating, however, that "political recognition" was neither granted nor implied, and that individuals and corporations engaging in Russian trade would be acting at their own risk, since "the assistance which the United States can extend to its citizens who engage in trade or travel in some foreign country whose government is recognized by the United States cannot be looked for in the present case."

President Harding's election in 1920 led the Soviet Government to hope that the new administration might prove more favorable to recognition. On March 21, 1921, M. Litvinov, then Soviet representative in Estonia, transmitted an appeal from Kalinin, President of the All-Russian Central Executive Committee, to the new American Government to re-establish business relations and remove the wall existing between the two peoples. This appeal met with no encouragement. On March 25, 1921, Secretary of State Hughes replied through the American Consul at Reval that the American Government viewed "with deep sympathy and grave concern the plight" of the Russian people, and desired "to aid by every appropriate means in promoting proper opportunities through which commerce can be established upon a sound basis." He agreed with Mr. Hoover, the new Secretary of Commerce, however, that under the existing economic system Russia could make no effective return to production and therefore could not develop its foreign trade. "It is only in the productivity of Russia," said Mr. Hughes, "that there is any hope for the Russian people, and it is idle to expect resumption of trade until the economic bases of production are securely established." These economic bases, in his opinion, included "the safety of life, the recognition of firm guarantees of private property, the sanctity of contracts and the rights of free labor." Until the American Government had been convinced that fundamental changes "involving due regard for the protection of persons and property and the establishment of conditions essential to the maintenance of commerce" had taken place, it was "unable to perceive" that there was "any proper basis for considering trade relations."

The view that no economic reconstruction could take place in Russia until the Soviet system had been abandoned or modified was further developed by Mr. Hughes in March, 1921, in a letter to Samuel Gompers, president of the American Federation of Labor, in which he described Russia

as a "gigantic economic vacuum." Again on March 8, 1922, when declining the invitation of the Italian Government to the Genoa conference, Mr. Hughes declared that "economic conditions which will permit Russia to regain her productive power" could not be secured "until adequate action is taken on the part of those who are chiefly responsible for Russia's present economic disorder."

The attitude of the American Government, however, did not prevent Mr. Hoover, as Director-General of the American Relief Administration, from sponsoring extensive relief to famine-stricken Russia in 1921-23. The work of the A. R. A., which furnished over 90 per cent of the relief extended to Russia during this period, was described in the United States as "unofficial," although it was largely financed by Congressional appropriations.

Replying on March 21, 1923, to an appeal from the Women's International League for Peace and Freedom, which stated that changed conditions in Russia made American policy no longer applicable, Mr. Hughes declared that internal conditions alone did not determine recognition. "The fundamental question in the recognition of a government," he said, "is whether it shows ability and a disposition to discharge international obligations. Stability, of course, is important; stability is essential. Some speak as though stability was all that was necessary. What, however, would avail mere stability if it were stability in the prosecution of a policy of repudiation and confiscation?" Not only had the Soviet Government, in his opinion, shown no disposition to fulfill "valid obligations" but it had given no sign that it would abandon its "destructive propaganda." Among the international obligations which the Soviet régime had refused to fulfill, Mr. Hughes, in a letter of July 19, 1923, to Samuel Gompers, mentioned "the protection of the persons and property of the citizens of one country lawfully pursuing their business in the territory of the other and abstention from hostile propaganda by one country in the territory of the other."

President Coolidge reaffirmed the policy of non-recognition in his message to Congress on Dec. 6, 1923. The United States, he said, did not propose "to enter into relations with another régime which refuses to recognize the sanctity of international obligations," or "to barter away for the privilege of trade any of the cherished rights of humanity." The President, however, after expressing willingness "to make very large concessions for the pupose of rescuing the people of Russia," added:

> Whenever there appears any disposition to compensate our citizens who were despoiled, and to recognize that debt contracted with our government, not by the Czar but by the newly formed Republic of Russia; whenever the active spirit of enmity to our institutions is abated; whenever there appear works meet for repentance; our country ought to be the first to go to the economic and moral rescue of Russia.

The hopes aroused by this message in Russia were doomed to failure. On Dec. 16, 1923, Chicherin cabled President Coolidge that the Soviet Government was ready to discuss all the problems mentioned in the President's message on the basis of the principle of mutual non-intervention in internal affairs, and that it was fully prepared to open negotiations with a view to the satisfactory settlement of American claims, "on the assumption that the principle of reciprocity will be recognized all around," thus indicating the existence of Soviet counter-claims. On Dec. 18, 1923, however, Mr. Hughes stated that

> there would seem to be at this time no reason for negotiations. * * * If the Soviet authorities are ready to restore the confiscated property of American citizens or make effective compensation, they can do so. If the Soviet authorities are ready to repeal their decree repudiating Russia's obligations to this country and appropriately recognize them, they can do

so. It requires no conference or negotiations to accomplish these results, which can and should be achieved at Moscow as evidence of good faith. The American Government has not incurred liabilities to Russia or repudiated obligations. Most serious is the continued propaganda to overthrow the institutions of this country. This government can enter into no negotiations until these efforts directed from Moscow are abandoned.

Secretary of State Kellogg reiterated these views on April 14, 1928, when he informed the Republican National Committee that the continuance of Bolshevik propaganda "made vain any hope of establishing relations on a basis usual between friendly nations," and that the experience of European countries had shown "that the granting of recognition and the holding of discussions have served only to encourage the present rulers of Russia in their policy of repudiation and confiscation." Mr. Stimson likewise declared in December, 1930, that the United States would not recognize the Soviet Government until it had acknowledged its debts, guaranteed proper compensation for American property confiscated in Russia, and ceased to agitate for the overthrow of the American Government by revolution.

Nor was American policy modified by the Soviet Government's adherence in August, 1928, to the Anti-War Pact sponsored by Mr. Kellogg. Testifying before the Senate Committee on Foreign Relations in December, 1928, Mr. Kellogg stated that "adhering to a multilateral treaty that has been agreed to by other people is never a recognition of the country." This view was later opposed by Judge John Bassett Moore, who held that "by this act we necessarily recognized the Soviet Government." Yet when China and the Soviet Union clashed over the Chinese Eastern Railway, Secretary Stimson, through the French Ambassador in Moscow, reminded the Soviet Government in a note of Dec. 2, 1929, of its obligations under the Anti-War Pact, and warned it that its standing "in the good opinion of the world" will necessarily in great measure depend on the manner in which it carried out "these most sacred promises." This note, coming just after the initiation of Sino-Soviet negotiations to settle the Chinese Eastern Railway controversy, aroused the ire of the Soviet Government, which declared on Dec. 3 that the American note, which had brought "unjustifiable pressure" to bear on the negotiations, could not be considered "as a friendly act," and expressed amazement that the United States, which had not recognized the Soviet Union, deemed "it possible to apply to it with advice and counsel."

This rebuke, which in the opinion of some observers injured the Soviet Government's chances for recognition, was followed by a complete standstill in official Soviet-American relations. Trade between the two countries, however, appeared unaffected. American exports to the Soviet Union, consisting chiefly of machinery and industrial equipment, rose from $4,550,000 in 1923 to $114,398,537 in 1930, when the United States was second only to Germany as a source of Soviet imports. The decline in Soviet-American trade which began in 1931 and reached an acute stage in the first eight months of 1932, when exports to the Soviet Union showed a drop of 90 per cent as compared with the preceding year, was attributed by Soviet trading agents to the difficulty of obtaining credits in the United States and to restrictions on Soviet exports to this country. Alarmed by the serious loss of trade with a country which, they declare, offers an unlimited market for manufactured goods, many political and business leaders have demanded the recognition of the Soviet Government as the only method of obtaining a share of Soviet orders, which now go principally to Germany and Great Britain.

A newspaper poll taken showed that thirteen, if not fourteen, members of the Senate Foreign Relations Commit-

tee either supported recognition of the Soviet Government or would vote for a resolution favoring such action. Advocates of recognition in both houses of Congress stressed two main points—the desirability of obtaining a market in the Soviet Union at a time when we are faced by increasing unemployment, and the danger that Japan might interpret non-recognition as a sign that the United States would welcome or at least not oppose the downfall of the Soviet Government.

Senator Robinson of Arkansas, speaking at Atlanta on April 21, declared that he favored recognition for the purpose of "promoting amicable international relations and stimulating our foreign commerce"—an opinion more strongly expressed by Senator Johnson of California when he said that "in these times it is simply economic idiocy for America, by its policies, to preclude Americans from trade and commerce which so readily could be obtained." Failure to recognize the Soviet Government was denounced as "an economic crime" by Representative Rainey of Illinois, Democratic floor leader in the House, while on April 22 Representative Sabath introduced a resolution favoring recognition.

According to Senator Johnson, however, trade is not the only thing at stake. A spark, he believed, might set off the Manchurian powder barrel at any moment:

> Japan seems to think that Russia's downfall would be acclaimed the world over. Some gesture on the part of the United States, therefore, could well be made to rid her of any such ideas. * * * Japan would not have the moral support of this country in an attempted conquest of Russia, and we should make this clear. Some move in the direction of normal relationships with Russia at this time would do more to remove perils from the Far East, and therefore from the world in general, than any other single act.

Of the various obstacles to recognition, all but two have now lost their significance. The stability of the Soviet Government is no longer questioned, and its political institutions appear less repugnant to American public opinion than in the past. Nor is it argued today that the Soviet Union represents an "economic vacuum" which offers no opportunities for foreign trade. Judge Moore, moreover, has emphasized the fact that recognition does not imply approval of the political or economic institutions of any government, whether that of the Czar or of the Soviets. Today, however, as in 1923, the United States demands, as a preliminary to recognition, that the Soviet Government acknowledge its obligation to repay the Kerensky debt and to compensate American citizens for confiscated property—claims which now total over $800,000,000 with interest—and that it cease to encourage Communist propaganda in this country through the agency of the Third International.

While the Soviet Government refuses to acknowledge its obligation to repay the Kerensky debt, on the ground that "no people is bound to pay the price of chains fastened on it for centuries," it has expressed its willingness to negotiate a settlement with the United States. On the other hand, the Soviet Government has advanced counter-claims for property damage and loss of life caused by American intervention in Russia, the exact amount of which it has never specified. With respect to propaganda, the Soviet Government has declared that it has no direct connection with the Third International and that it is ready to establish relations on the basis of mutual non-intervention in internal affairs. Although the overtures made by the Soviet Government have received no encouragement from the United States, competent observers believe that the existing deadlock is by no means hopeless. Since recognition is primarily a matter of policy, it is not impossible that the desire to obtain Soviet trade and the need for Soviet cooperation in the Far East may eventually alter American policy toward the Soviet Government.

The Australian Political Seesaw

By C. HARTLEY GRATTAN

[An American student of social problems and a literary critic as well, Mr. Grattan visited Australia some time ago in an attempt to learn about the forces shaping the destiny of the Commonwealth. Mr. Grattan is the author of *Why We Fought* and of the recently published biographical study, *The Three Jameses*.]

AUSTRALIA has never succeeded in defining itself to the international mind. Yet its history offers an unusual opportunity for the student of social evolution. It is short; it falls into fairly sharply defined units; it proceeded at a rapid pace, and the situation it produced, that of today, contains all its original factors.

Founded in 1788 as a penal colony, Australia received convicts until the early 1850s. But it was not long confined to such narrow limits, for adventurous spirits soon realized what the country was worth for permanent settlement. The military and civil administrators early began to seek their own profit and some of them gave up their positions that they might be free to exploit the land. They were joined by free settlers from England, who were allowed in the country at first over the protests of the keepers of the convicts. The convicts, as one might guess, were an important element in those early days, for they provided cheap labor while they were serving their sentences as well as afterward. Many convicts were given freedom only on condition that they remained in the country. In some cases they became pioneers themselves at the end of their terms and were eventually absorbed into the general population.

The outstanding figure in this first period of Australian history was John Macarthur (1764-1834). He may be said to be the economic father of the country. He it was who introduced sheep into the land, fought for the rights of the free settlers, sometimes in very ill-advised ways, and managed in his lifetime to lay the foundations of the pastoral industry which still remains basic in the national economy. The pastoralists, often referred to as the "squattocracy," became what they still are—the most conservative group in Australian life. They dominated the country until the gold rushes of the 1850s introduced a dissident and more numerous element into the population. As the gold-seekers' opportunities became fewer, the erstwhile "diggers" began to demand that they be absorbed into the Australian social system. They wanted land for farming, hitherto a neglected industry, and to this end they asked the State to make inroads upon the vast areas held by the squatters. Eventually a system was set up under which prospective farmers "selected" holdings when the areas made available were thrown open to them. The land thus acquired was called a "selection" and the farmer became known as a "selector." The process was attended by political manipulation and corrupt practices of various kinds. Thus was laid another of the foundations of the Australian economic structure. The country now had a farming class as well as the "squattocracy."

The next great development was that of the workers in the cities, hitherto commercial rather than industrial centres. As the farming group established itself, it became a sufficiently numerous class to stimulate secondary industries. While manufacturing is still inferior to the

pastoral and farming industries as a productive force, it has made the workmen of primary importance in Australian life. It is this class, indeed, and its sympathizers and representatives that has given Australia its peculiar social complexion as much as any single group. Strongest numerically, it has been able to make great gains because of its ability to use a liberal suffrage for its own purposes.

Finally, among the major "interests" in Australian society and politics is that of the group of business men able to protect its interests in politics only by temporary alliances with the farmers, the "squattocracy" and that large mass of undifferentiated citizens known as the "general public." But even this general public is an unreliable quantity, for it is not stable enough to support any party in power for any considerable length of time. It constitutes the floating vote which oscillates between the Labor party and the Nationalist party without allowing either to gain permanent ascendency.

The labor movement, with its political organization and its trade unions, provides the largest and most cohesive group that is contending for power. Not only are the industrial workers organized in trade unions but also all kinds of labor in the primary industries. Even when the Labor party is not in office it possesses tremendous influence and is able to prevent any startling deviations from its policies. Thus it comes about that labor gives the whole of Australia's political and social outlook its special character. Australian conservatism is tempered by the necessity of keeping fairly close to the labor line, and while its motives are those of the profit-making classes everywhere, in practice it amounts to little more than a greater susceptibility to the disciplines which the foreign bankers are ever trying to impose upon the Australian people. For this reason the conservative elements are, particularly in times of adversity, more willing to adopt economy measures in the administration of State business enterprises and social services.

To understand the situation thoroughly, an effort must be made to define the labor outlook. As Professor W. K. Hancock has pointed out in his brilliant and witty book, Australia was founded and developed after the French and American Revolutions and hence in a world more or less dominated by the middle-class outlook. Australia has been "made" by people acutely conscious of their "rights." But there has been a counter-drive toward collectivism which is disposed to grant the State not only the power of an arbiter between contending individuals, as in the regulation of wages and labor conditions, but also the power to initiate and carry out vast enterprises for the public good. Thus, in a country which was and is pastoral and agrarian in basis there has developed a strong State.

The explanation is that, however egalitarian the Australian may be, he has never been a "rugged" individualist in the American sense. He has always looked to the State for help in mastering the huge continent at his disposal. And not only was that continent settled by people impregnated with the bourgeois outlook but during a period when technology was making rapid strides, during the industrial revolution. In a land of magnificent distances transportation was of primary importance. Once the railway, for instance, was a practical reality, it became a crying necessity in Australia as an implement in the pioneering process. The State was called upon to supply it and did.

Moreover, when Australia's secondary industries began to expand they brought in a laboring class which was already touched by an incipient class-consciousness. English chartism had run its course, but had left certain influences in the minds of the workers who emigrated to Australia. The humanitarian outlook had gained a foothold in the British mind which

made the leaders in Australian life sympathetic to labor's demands and willing to impose upon the State the burdens the humanitarian program entailed. The Australian labor "interest" was very early articulate and powerful, and it confronted an opposition which, while not weak and even on occasion ruthless, was nevertheless far from being as hard and unyielding as in other countries. The result has been that while labor has been unwilling to accept social services from employers, it has taken them freely from the State.

Yet there is little to please the Marxist ideologue in the Australian situation. Australian labor is not Marxist; it seeks all it can get, of course, but it is more humanitarian than anything else and it has wedded itself to a sort of State capitalism (or, if you like, State socialism) that secured middle-class cooperation. It would, perhaps, clarify the situation if the labor leaders of Australia were better thinkers, especially if clarity is to be reckoned an ultimate social virtue. It would, indeed, be rather easy to impose a Marxian interpretation upon the Australian set-up as it presents itself today, but only by distorting the facts. It is the better part of wisdom, therefore, to recognize the confusions and complexities and admit that in Australia we have, as has been said, "socialism without the theory."

It may be strongly doubted whether Australian labor declarations for the socialization of industry really mean anything in particular. Sometimes they seem to be printed in the party program as a sort of sop to the definitely radical forces in the ranks. It is significant that Australian labor is nationalistic. As a complete group, it has no international affiliations. Most of the leaders seem quite satisfied to push the State as far as they can along humanitarian lines, to utilize the State as an instrument in the struggle for higher wages, shorter hours and various measures of social welfare (supplementing their political power and legalistic concessions by strikes and threats of strikes) and let the matter go at that. But an indispensable element of real radicalism seems to be lacking—the aspiration to take control of the entire economic system and assume all the burdens such a course implies.

All this works out very neatly into an explanation of the peculiar dead level characteristic of Australian life. Probably no country in the world is such a paradise of mediocrity or deserves less the distinguished personalities it periodically throws off. The Australian labor group, influential as it is in determining the tone of Australian life, contents itself far too easily with a wage that more or less automatically adjusts itself to the fluctuations of prices, with a standard of living controlled by that wage which is extraordinarily stultifying, and with a considerable amount of protected leisure which is spent in sport, gambling and other amusements, some interesting enough, but none of them of cultural import in the best sense. Unfortunately no group has sufficient vigor to shake the country out of its intellectual lethargy. Artists in Australia struggle with the most appalling handicaps, and while their work is of higher significance than is generally recognized, it would be yet higher if the community showed itself responsive to efforts to endow it with a cultural life.

Labor would undoubtedly rule Australia with an iron hand if—but behind that "if" are arrayed opposing forces (in politics, the Nationalists) against which it must battle and to which it must offer concessions. When in office it must not invade the rights of the propertied classes too far or become too arrogant in its attitude toward them or it will lose the next election. If it does advance pretty far on occasion, it almost invariably executes a quick counter-march and throws a sop to the enemy. A favorite sop has been the tariff. Curious as it may seem, Australian labor favors

the tariff. Its reasoning is not Marxian here any more than in any other of its jumbled ideas. A tariff not only keeps the propertied classes satisfied; it also, according to labor reasoning, stimulates manufactures, induces the establishment of new industries and so adds to the opportunities of labor.

Thus far the academic economists, and the Nationalist disciplinarians to a lesser extent, have tried in vain to point out that the tariff, far from benefiting labor, imposes burdens on Australia under which labor inevitably suffers. The tariff drives up prices and drives down industrial efficiency and has not shown itself a satisfactory method for the encouragement of industry. The tariff imposes terrific financial burdens on the Australian people to which they are not necessarily heir in this day and age. But Australian labor is not prepared to make concessions for the sake of industrial efficiency. The subtler implications of the tariff are ignored and the obvious "gains" are reckoned good.

The tariff, then, encourages the development of a subsidized economy for which it is impossible to see any justification either immediate or remote. It is, however, a somewhat indirect subsidy. In addition, direct subsidies of an even more uneconomic character help to produce a situation that can be regarded only as a drag upon Australian life. Yet it would be difficult to raze the crazy structure without ruthlessly plunging the nation into terrifying disorders. Subsidies are granted to various branches of tropical agriculture, such as sugarcane growing, to the dried fruit industry, which is chiefly carried on in irrigated country, and to dairying; while prices are artificially fixed and a tariff granted to keep out identical products from foreign countries. When Australian production runs beyond domestic capacity for consumption, the surplus is dumped upon the world market. The loss is suffered, of course, by the Australian population.

It is argued, however, that the Australian standard of living is sustained, whereas if the industries were to compete with the world, the Australians employed in them would sink to the level of foreign workers. Moreover, and most importantly with regard to tropical agriculture, such a tariff policy insures the retention of the "White Australia" policy, a racial and economic policy of tremendous emotional content, by making it possible to use white labor in the tropics. Australia has always tried to extend her ideas of artificially sustained economic standards into the British Empire at large, and at the recent Ottawa conference sought to do so with increased vigor.

Australia must obviously sell something in the world market at a profit to provide a national income on which to support her population and her limping primary and secondary industries. The country's great basic commodity is wool, which takes us back to the incomparable service of John Macarthur. The second most important export is wheat, the basis of agrarianism. The hero of this industry is William Farrer (1845-1906), who experimented with wheat according to principles of Mendel in 1886 with the object of producing rustproof varieties, and succeeded in putting Australian wheat-growing on a scientific basis. Both wool and wheat, which far overshadow all other commodities in importance to Australia, must be disposed of in the world market at world competitive prices.

The leading products of Australia are at the mercy of two forces, one of them peculiar to the country and the other operative in any country dependent for its income upon primary production. The first is the climate. The spectre of drought constantly menaces both wool and wheat and can reduce crops with disastrous effect. While drought-resisting varieties of wheat have markedly extended the wheat-growing area and the re-

turn per acre, Australian droughts are not easily circumvented, for they are not infrequently both extensive and protracted. Whatever efforts man may make with the help of science, the fact remains that Australia has an inadequate and unreliable rainfall, few rivers and a minimum supply of artesian water. This not only limits the area available for cultivation; it also restricts the available grazing territory. The desert area in Australia is proportionately larger than on any other continent. Planning can somewhat mitigate the destructive effects of drought on the grazing country by developing methods of transporting animals out of stricken areas, tapping all possible sources of water and other measures, but in the end the climate remains a dominating and incalculable factor, thus providing a striking example of a basic geographical control working on a modern society.

The second factor is world prices. Australia has been brought to its present pass by the sharp decline in the world prices of wool and wheat, which made terrific inroads on the nation's income from abroad. During the period of world prosperity Australia borrowed heavily in the world money market to support its program of development and its social services. The people gambled on an indefinite continuance of good times. The warnings periodically issued by the economic disciplinarians fell on deaf ears. The result has been catastrophic. The political seesaw, in consequence, has been making almost melodramatic ups and downs, with the disciplinarians (Nationalists) at present in control of the Federal government and some of the State governments. But, as already pointed, even when out of office Labor wields enormous influence, and while the electorate may repudiate this or that Labor government, and sometimes with great decisiveness as in the case of the Lang Ministry in New South Wales, that does not mean a reversal of all that labor stands for nor a triumph of conservatism as Americans understand it. The conservatives are probably only temporarily in control. Labor represents too powerful a group interest to be permanently eclipsed, and will no doubt regain control of a country but little different from what it was when it last went out of office.

When it became apparent that Australia had to do something in the way of retrenchment, there was marked and even melodramatic resistance to the proposed measures. The recalcitrance is indicated by the fate of the financial recommendations made by Sir Otto Niemeyer of the Bank of England—the bankers played a powerful rôle in recent Australian politics—and ex-Premier J. T. Lang's ability to carry on his spectacular course of action for many months in New South Wales. But with the passing of labor from control of the Commonwealth government and of the State governments of New South Wales and Victoria, the way was open for the disciplinarians to function, and more recent developments suggest that they have been making their views prevail.

Australia shows hardly any disposition to go left toward bolshevism or right toward fascism. It will remain Australia, disciplined but essentially unchastened and above all not disillusioned, wedded as firmly as ever to the peculiar un-Marxian socialism that obtains there—State capitalism combined with a deep humanitarian impulse.

Man's Study of Man

By ROBERT BRIFFAULT

[Dr. Briffault is an Englishman who spent twenty years in New Zealand, where, while practicing medicine, he also carried on his work in anthropology and the study of social evolution. After many years of preparation the results of his research were embodied in his monumental book, *The Mothers,* which has been hailed as one of the most remarkable contributions to modern learning. Dr. Briffault is the author of a number of other works, including *Psyche's Lamp* and *Rational Evolution.*]

SOME Cambridge dons were once debating the momentous questions, where, exactly, ancient history ends and modern history begins. Sir Edward Tylor, the great anthropologist, was asked his opinion. "It matters not a straw," he replied; "both are branches of anthropology."

Anthropology, or the science of man, which might logically be claimed to include the whole of human knowledge, has in practice been concerned with a wide diversity of inquiries, according as one or another province of study has acquired special interest and prominence. When the fossil remains of man first began to attract attention, an anthropologist was understood to be a student of those relics and to be chiefly interested in skulls. A multitude of studies which have reference to racial or other variations in human anatomy constitute the field of physical anthropology. But the study of man as a social being—his organizations, institutions, customs, traditions and culture—has acquired so paramount an interest that the term anthropology has come to be particularly applied to those sociological investigations.

Although social anthropology includes, as Tylor claimed, the whole of man's cultural history, the term is in practice conveniently limited to that portion of it which is not represented in written annals. Those lower, or more primitive, societies which have no written history are precisely those which afford an opportunity for investigating the origin of subsequent social phenomena. Hence the significance of social anthropology, because to understand social phenomena implies an understanding of their origins. To understand current history is impossible without an adequate knowledge of past history; in the same manner the whole of recorded history becomes fully intelligible only in the light of anthropological facts and their interpretation.

It was an American, Lewis Henry Morgan, who perhaps more than any other anthropologist made the study an indispensable basis for all social thinking. His work had so profound an influence that its effects are tangible in the most vital phenomena of today. Morgan's views being, as a whole, in accordance with the conclusions of the great anthropologists of his day, and representative of competent opinion in the period of the active development of the science during the later decades of the nineteenth century, were not without influence in developing the social philosophy of Marx and Engels.

That stage of vital development in anthropological studies was followed by a stage of reaction. The conclusions to which the synthesis of anthropological facts seemed to point appeared disquieting, if not revolutionary. Principles and institutions which it had been customary to regard as rooted in human nature and in the constitution of the universe came to appear, in the

light of those conclusions, as relatively recent innovations or as rooted in savage superstition and barbaric abuses. It cannot be wondered that criticisms of those disturbing views were eagerly welcomed, and that a reactionary interpretation of anthropological facts was acclaimed by an influential portion of public opinion and acquired immediate authority.

When Westermarck, for example, attacked with an imposing array of erudition the view of Morgan and of all leading anthropologists that the institution of monogamic marriage was preceded by phases of sexual promiscuity, and put forward the opinion that primitive humanity was from the first monogamic, he was at once hailed as almost a savior of society, and his authority became so great as to silence for many years all realistic anthropological inquiry into the subject. Similarly, reactionary interpretations and theories calculated to discredit and to discount the alarming conclusions of the founders of anthropological social science have, during the present century, exercised an overwhelming influence, and continue to do so in many academic quarters. Nevertheless, there is today a growing number of indications of a revulsion on the part of many anthropological students against the kind of interpretation that appears to be too exclusively concerned with upholding the authority of established institutions, and a notable tendency is discernible to revert in some measure to views that approximate more closely with the conclusions of the earlier scientific anthropologists.

One of the favorite methods of explanation of social phenomena has been to ascribe them to the effects of human nature and innate instincts. Marriage, private property, religion have been accounted for by such factors as a monogamic instinct, an instinct of private property, a religious instinct. That facile mode of explanation is one of the oldest, most persistent and most pernicious sources of fallacy in human thought. As a consequence of the cumulative force of much varied evidence as well as logical considerations, such an explanation is today driven out of court. Instinctive behavior dependent upon an innate organization of the nervous system is highly developed in some forms of life, notably among the insects. But careful investigation has shown that even among the higher animals, birds and mammals, very few of the forms of behavior which were assumed to be instinctive are due to such a congenital nervous mechanism. In man not only is true instinctive behavior nonexistent, but the physiological conditions of human development render such a congenital disposition impossible.

Contemporary social anthropology, crippled to a large extent by reactionary theories, has had little part in dissipating the ancient delusion. But, as Professor Boas of Columbia University has well said, the results of anthropological observation all go to "confirm the suspicion long held by anthropologists that much of what we ascribe to human nature is no more than a reaction to the restraints put upon us by our civilization." The conclusion forced upon us that, so far as it has any bearing upon social life, man's behavior is almost wholly the effect of culture, and not of nature, is one of the most far-reaching developments of modern thought. One consequence is that the excessive importance which has commonly been ascribed to race, an estimate that is clearly the expression of tribal pride and prejudice, can no longer be sustained. Human behavior, including thought, opinions, sentiments, the emotions connected with these and with social situations and many of the elements which are commonly included under the term "character," as well as social institutions and the reactions of human beings toward them, is to an overwhelming extent the product not of innate elements of the race but of social tradition.

The study of social anthropology is thus not only the history of the social development of man but also of his mental development. It is not only the premise to social thought but also to psychology. For the history of the human mind is the history of the traditions of social culture.

One of the conceptions which Morgan most elaborately set forth was that of successive phases of social and cultural development. Man has passed from phases of savagery to barbaric organization and to organized civilization. Those various stages in his social development have depended largely upon his control of the economic means of subsistence. Some lowly societies live by gathering articles of food, others by fishing, others by hunting, supplemented or not by a rude form of agriculture. Other societies are mainly pastoral or agricultural in their mode of subsistence. It was that relation between human culture and the economic means of subsistence, expounded by Morgan, which has helped to enlarge the economic interpretation of history.

That scheme of social development has been the object of a great deal of criticism. There is no difficulty in showing that, as set forth by Morgan, the view of the course of human evolution, passing step by step through its several hard-and-fast phases, was oversimplified. The general tendency has been, especially among American anthropologists, to set aside entirely the conception and to regard the social phenomena presented by each society as a separate unit determined by its own particular local and temporary conditions. Behavior and social facts have under this view been interpreted in terms of the "functional" part of the individual in relation to his material and social environment.

Such a method, however, not only limits the scope and significance of social anthropology; it also contains at least one important fallacy. Since social man is so largely the product of transmitted tradition, it follows that he brings to each new environment in which he is placed a heritage of traditions which may have been the outcome of very different environments. His reactions, both individual and collective, are therefore not determined by his functional relations to his actual environment only but are to an even greater extent the results of traditions which he has received from previous social phases. Tribes which are dependent upon domesticated animals for their means of subsistence, for example, present certain very definite social characters. They are invariably polygamous and stringently patriarchal in their social constitution. Those characters are not by any means obliterated if the society which presents them happens to become agricultural or industrial, or if it should revert to dependence upon hunting.

So of all social phenomena. Countless features which may have been "functional" in a remote savage phase persist today in the most highly civilized societies. There would indeed be few social problems if man's behavior were always functionally adapted. Most social woes arise precisely from the fact that it is not. The "functional" method of interpretation thus embodies an oversimplification far more superficial and fallacious than any that has been charged against Morgan.

Professor Morris Ginsberg of the University of London, in a recently published volume, *Studies in Sociology,* has set forth an extremely able and full criticism of the cavalier repudiation of Morgan's views by contemporary American anthropologists. His conclusion is that "the conception of stages of growth is still necessary," and that "the tracing of sequence in orderly phases is a necessary preliminary to any theory of social development."

For many years, especially in America, anthropological research has been concentrated on detailed local studies of particular tribes, and on monographs on some of the fast

perishing and usually highly sophisticated survivors of savage humanity. A great deal of extremely valuable material has thus been accumulated. But collections of bare facts, however valuable and final in their testimony, remain as dead as mutton if that testimony is not intelligently interpreted.

A very severe appraisal of Dr. Margaret Mead's recent field work at Manus, in New Guinea, *Growing Up in New Guinea,* appeared lately in *Man.* The critic exposed the common assumption that it is sufficient to dwell for a time with a savage tribe to be an anthropologist. It might as well be supposed that it is sufficient to dwell in New York to be a sociologist or in Washington to be a statesman. To concentrate attention upon the study of a single tribe or region is too often apt to destroy the sense of social perspective and to lead to the use of isolated facts as a basis for far-reaching conclusions. This has been a conspicuous fault of much recent anthropology. It is notably seen in the work of Professor Malinowski, who, having made an admirable study of the Trobriand Islands, off the northern coast of New Guinea, has ever since regarded those islands as equivalent to the whole savage world.

An instance of the method was afforded when, in a public debate with me, he cited the marriage customs of the Trobrianders as a final appeal to the facts of primitive society, and on my remarking that the customs of their close neighbors, the natives of Dobu, were entirely different, he replied that he had no evidence of this, because he had not observed them. Dr. R. F. Fortune of New York has just published an admirable study of Dobu, *Sorcerers of Dobu,* which confirms and amplifies my account and clearly shows the Trobriand usage to be a later modification of the Dobu practice.

The ostensible "objectivity" of anthropological field work is very often delusive. Assumptions and preconceptions which the observer professes to exclude by abstaining from conclusions have a way of creeping into his observations of "fact." Neither an illusory "functional" interpretation nor the very superficial application of psychoanalysis to anthropological field work, which is being attempted with scant success by Dr. Róheim, can take the place of a comparative study of the wide range of available data, many of which are no longer available to observation. To the latter method, which was that of constructive anthropology and which has long incurred denunciation, many are now showing a disposition to return. Speaking of my own work, Lord Raglan lately said: "Briffault arrives at those conclusions by the comparative method; and, whether they are correct or not, it is by that method that truth is to be sought, and not by arbitrarily attributing ideas and practices to prehuman ancestors."

One of the most disturbing disclosures of the anthropologists who used the comparative method was that primitive man was a Communist. Such a conclusion could not be allowed to pass unchallenged. In a recent work, *Man's Rough Road,* Professor Keller of Yale University has devoted much space and not a little heated eloquence to an endeavor to show that private property and even capitalism have always existed. He is, it is true, compelled to admit that there are many instances, which he terms "exceptional," where this is difficult to show. But if primitive people attach little importance to private property, it is, he argues, because private property has among them little importance. They would be capitalists if they had capital, and would, he feels sure, speculate in stocks if they had a stock exchange.

An antiquary is said to have once shown to a collector the sword of Balaam. "But," said the collector, "I understood that Balaam had no sword, but only wished he had one." "Precisely," answered the antiquary;

"this is the sword he wished he had." The reluctance of a dog to part with a bone or of a monkey to give up a stick has been described as an "instinct of private property." But the "instinct" of the Australian black, the Melanesian, the Fuegian, the Bushman, is to divide his catch, were it only a sprat, among the whole clan. It is a very sound "instinct," because, unless such sharing took place, not a single individual would have a chance of supporting himself.

Many anthropologists have adduced the monopoly in magic formulas, in dances, in crests and the like, which is universal, as evidence of the sentiment of private property. But sentimental private property is not the same thing as economic private property. In the course of social development the two kinds of property have indeed often become combined. Among the Yuma of Colorado, as Daryll Forde has lately shown, the possession of private property is only permitted to persons who have shown evidence of the possession of supernatural powers. But while sentimental personal property is common in uncultured society, economic monopoly is the exception. Even extensive commercial transactions of the greatest mutual benefit are found to take place among tribes which are devoid of any notion of economic value. Dr. Fortune has just described in detail the organized barter which takes place at Dobu, as in many other parts of Melanesia. It is regarded as an exchange of presents and a token of friendship and good-will, and it would never enter the mind of a native to do any haggling or any counting or reckoning.

There is no doubt that primitive humanity would be as individualistic as modern American humanity if the accumulation of private property were, in the circumstances of its life, advantageous. The fact is that it is not, and the "instincts of private property" have therefore remained undeveloped. In point of fact, the accumulation of convertible private property to any important degree becomes possible and advantageous only to the individual in pastoral societies. The first pecuniary values (Latin, *pecus,* cattle) arose out of the domestication of animals on a large scale, a relatively late event in the history of the human race and one which, by the way, never took place in native American society.

It is a seemingly strange but significant fact that moral passions are inflamed by the subject of marriage and sexual morality even more intensely than by economics and theology. The looseness of the savage's marriage and morals shocked Victorian society even more than his communism. Accordingly, Westermarck's thoroughly "nice" account of demure, chaste and sentimental savagery, supported by a scholarly array of incredibly distorted evidence, made his work, *The History of Human Marriage,* for nearly half a century the source-book of every moralist and unfortunately of a great many anthropologists. That baneful, paralyzing influence is now happily dissipated, although many survivals of it still hamper the recovery of anthropological science.

What is often misleadingly termed marriage in the lower cultures has always been an economic relation, often quite distinct from normal sexual relations, and the forms and regulations of the relation have invariably been determined by economic factors. Marriage is the foundation of the family, which has in turn been regarded as the foundation of society. But physiologically and biologically the family is founded by the mother, not by the father. Marriage being an economic relation, the foundation of a paternal family by the father could not take place, and has not taken place, until the development of private property enabled him to purchase both the mother and her children. Before the acquisition of that economic power, which did not generally become fully

developed until the domestication of animals, the family remained maternal, and the husband had no right to remove the woman from her home or to lay claim to her children. But a maternal family is not separated from the social group in the same manner as is a paternal family. Hence the foundation of primitive society is not the family, but the clan, or sib. The formation of the paternal family marks, not the development of social ties, but, on the contrary, the breaking up of those ties and the development of anti-social "rugged individualism."

A favorite theological argument was the argument from universal consent. It was supposed to prove the existence of God. But the argument proves a good many other things besides. Whether there are or have been societies without gods is mainly a matter of definition. But there are no uncultured societies known which have not an abundance of what we call superstitions. This arises from the fact that nowhere has primitive humanity any clear idea of the physical relation of cause and effect. Dr. Fortune, in his excellent study of the Dobu islanders, gives a very good account of the way they have of putting down the success of any ordinary operation to charms, incantations and other hocus-pocus, and of their utter depreciation of their own skill, astuteness and technology as factors in the issue. That estimate, which is entirely due to ignorance of the nature of physical law, constitutes what anthropologists call magic. Religion, regarded as a metaphysical theory of the constitution of the universe, developed out of primitive magic but, anthropologically speaking, only at an extremely late period of cultural development.

The idea with which all historians of the origin of religion have hitherto started is that primitive man was in the habit of sitting at the mouth of his cave after supper and asking, like Sean O'Casey's hero, "What *is* the stars?" and of meditating on the Great Questions and the whichness of what. Since no primitive man ever did such a thing, and his magic has nothing whatsoever to do with theology, all treatises on the origin of religion, from Max Müller onward, are not worth the paper on which they are printed.

One consequence of the notion that primitive man is interested in explaining the universe has been the assumption that primitive people worship the sun as the most obvious source of terrestrial life. Actually most primitive people are profoundly uninterested in the sun, which many do not even associate with daylight, and no aboriginal sun-cult is known except in relatively advanced agricultural societies. When a woman engaged in anthropologial research was told in New Caledonia that the natives regarded as their god a heavenly body which died every month and rose again after the third day, she concluded that they must be sun-worshippers. That is a good example of putting your preconceptions into your premises instead of into "rash" conclusions. The notion that they worshiped the moon, which possesses such magical power that it appears to control the sexual periodicity of women seemed to the good lady a funny, if not lunatic, idea.

In what measure primitive people believe in their own magic and how slowly the skeptical notion of physical cause and effect has entered human heads are amusingly illustrated by Professor Boas in his recent monumental accumulation of texts on the Kwakiutl. But the Kwakiutl, whom I have met only while shopping in the fashionable stores of Vancouver, are somewhat sophisticated. A Kwakiutl shaman told Professor Boas that the only way to become a shaman is to acquire from another shaman the technical skill necessary to perform the skillful sleight-of-hand and fraudulent tricks of sucking out disease and producing, so to speak, rabbits out of a hat. A person desiring to become a

shaman is usually in a state of grace and conversion, having become impressed by some performance of another shaman. After his induction to holy orders he becomes, of course, a crook. Thus the Kwakiutl alternate, like some other humans, between credulous and skeptical states of mind. There is usually a recrudescence of credulity in times of economic depression or of sickness, and death-bed conversions are common among them.

The layman may exclaim over the uniformity of human nature. But what is commonly mistaken for such is really the uniformity of social phenomena. This has never been quite satisfactorily explained. The theories of diffusionists, such as Dr. Eliot Smith, who detects everywhere the influence of ancient Egypt, as the old missionaries discovered in every part of the globe the lost tribes of Israel, will not bear scrutiny.

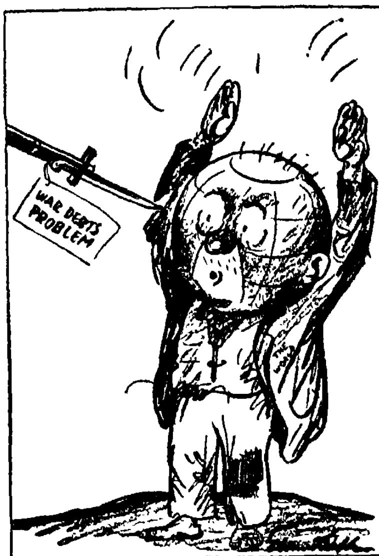
The fact is that humanity is very old. The traditions and ideas which are found today to be common to the Eskimo of Greenland, the tribes of the Upper Congo and the blacks of Australia may at one time have been the common heritage of a more compact humanity. The more we know the more do racial differences tend to disappear. Dr. Hrdlicka, who has just brought to light significant Asiatic remains in Alaska, believes that the Australian blacks are akin to the Neanderthal race which peopled Europe. It was till now firmly believed by all anthropologists that the race had been completely wiped out soon after the coming of the Aurignacians. But MacCown's recent discovery in Palestine of young Neanderthal skulls, which show features hitherto regarded as characteristic of the higher white races, suggests that the gap between them may not be so wide as was supposed, for it is in the young that the type of the future is prefigured.

The science of social anthropology which could do such great things toward the much-needed task of improving human intelligence has, it must be sorrowfully admitted, suffered longer from a state of depression than the banks. But there are indications that prosperity may be just around the corner. There are not at present half a dozen important chairs of social anthropology in American universities. It is just as well. Anthropology is only now beginning to recover from the shock caused by too candid a revelation of the origins of man's traditional mind and of the factors which shape current history no less than savage pre-history.

Current History in Cartoons



"The last time I granted that, you blew it on armaments"
—*New York World-Telegram*



Kamerad!
—*Baltimore Sun*



The old refrain
—*Boston Transcript*



And we need that button so badly right now
—*New York Herald Tribune*



And the old world goes on just the same

—*Philadelphia Inquirer*



The exile

—*New York Herald Tribune*



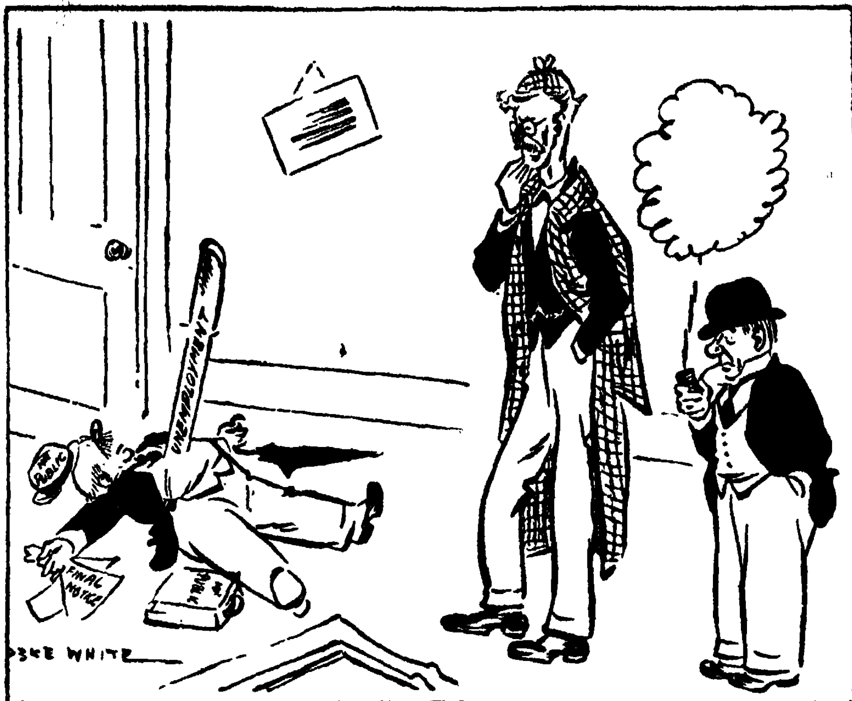
To reopen

—*Birmingham Mail*



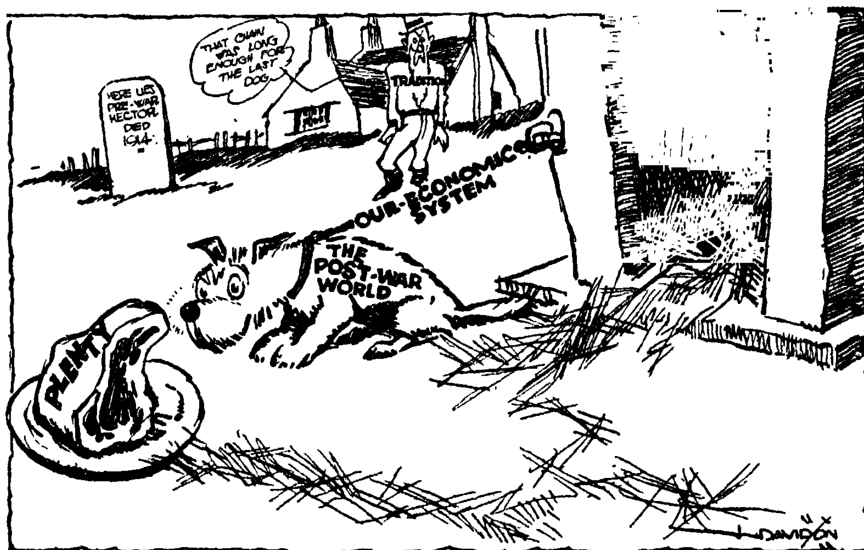
All over

- *Springfield Republican*



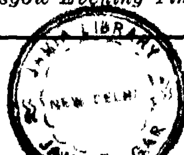
Sherlock Holmes Ramsay—"My dear Watson, it's more puzzling than I used to think!"

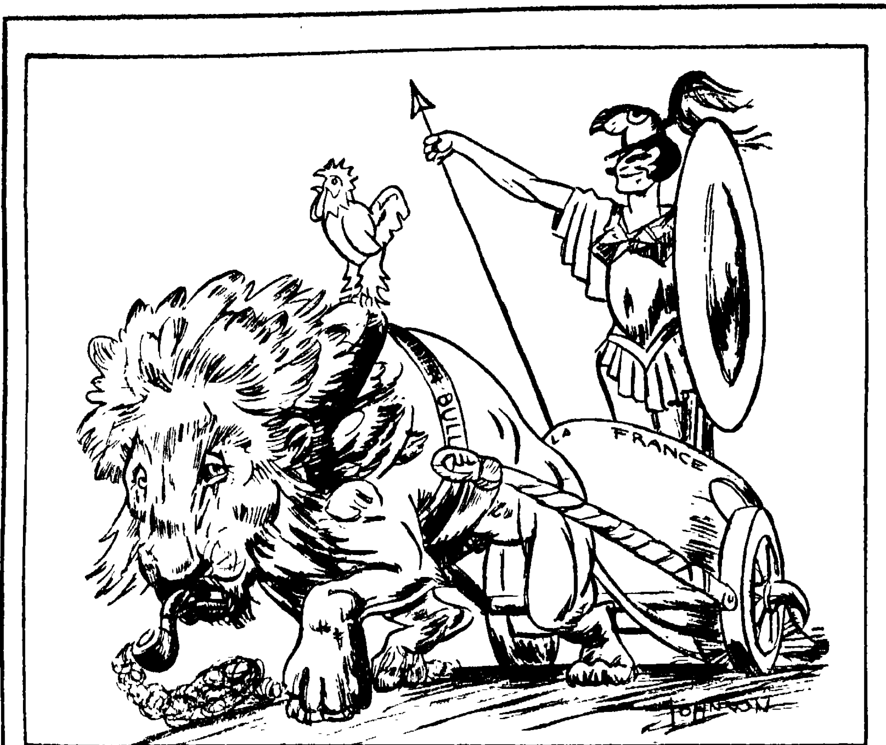
—Glasgow Record



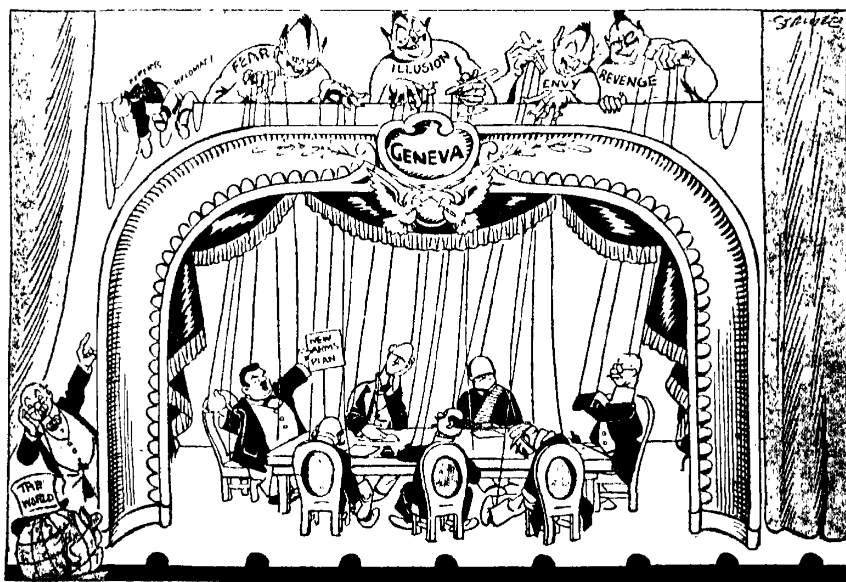
The hungry pup

—Glasgow Evening Times





Setting out for the Disarmament Conference
—*Kladderadatsch*, Berlin



The marionettes
—*The Daily Express*, London.

A Month's World History

Manoeuvres for Disarmament

By James Thayer Gerould
Princeton University; Current History Associate

Whatever else may be achieved by the disarmament conference, one fact has been made strikingly clear—that the question of armaments has many phases, all of which are interwoven with a host of other problems. For instance, the delegates discovered that no concessions of moment could be made in regard to long-range guns until it was known what would be done about naval batteries, that tanks could not be abolished without decisions regarding air bombardment, that submarines would not be given up so long as large capital ships were maintained. The French have continually asserted that without security, and definite plans for arbitration, there can be no disarmament of consequence. More recently, it has become evident that political situations have a definite relation to the problem. A government that is insecurely seated, as are most governments today, hesitates to make concessions that can be used against it by political opponents more intent on party advantage than on national welfare.

At the moment, the Manchurian situation makes it difficult to obtain naval agreements. The threat of a German Government dominated by the Nazis, or the older militaristic groups, is being used in France by the extreme nationalists to keep alive old enmities and to prevent the concessions necessary to persuade Germany to return to the conference. In Germany, the government has hesitated to be present at Geneva in the face of the noisy protests of the parties opposing such action. Italy has made friendly gestures to Germany, in the hope of bringing France to terms regarding naval parity, and Norman Davis has found that for Europeans there are definite relations, not only between reparations and war debts, but between war debts and disarmament.

A detailed statement of the French proposal (See December Current History, pages 332-334) was issued as a memorandum for the disarmament conference on Nov. 14. Since being issued it has undergone certain modifications that are not likely to make it, in its detail, more acceptable to the other powers, but which doubtless are considered by the French as counters with which they can bargain. While M. Herriot in no sense maintains that the document represents an ultimatum, or any final statement of the French position, he makes it quite clear, nevertheless, that his proposals are interdependent and form an "indivisible whole."

The memorandum consists of a long preamble and of five succeeding chapters. It opens with an assertion that "any war undertaken in breach of the Paris pact is a matter of interest to all the powers, and shall be regarded as a breach of obligations assumed toward each one of them." In such a situation there must be consul-

tation and agreement upon the steps to be taken, which will be, as a minimum, "the prohibition of direct or indirect economic or financial relations," and a refusal to "recognize any de facto situation brought about in consequence of the violation of an international undertaking." With such an understanding as this it will be possible to give full effect to Article XVI of the covenant, to the Locarno treaties, the general convention on means of preventing war, and the convention for financial assistance. In the Continental European area, the Locarno treaties foreshadowed a more complete organization, accepted by a sufficient number of powers so that the security of each one of them shall be insured in all circumstances. Under such an organization, any signatory power will have the right to assistance whenever its territory is "attacked or invaded by a foreign power." To assist the Council in determining the aggressor, as defined by this phrase, it shall appoint, in each country, from among the diplomatic agents accredited to it, a commission which will be charged with the duty of reporting on the facts. "The Council of the League will decide that assistance shall be given on simply ascertaining that an attack or invasion has taken place." To insure the peaceful settlement of disputes, all members of the new confederation shall agree to compulsory arbitration. Should any nation refuse to accept or execute an award, the other party may bring the matter before the Council, which, in such case, may act by majority vote.

"The land forces assigned for the defense of the home frontiers of the States of Continental Europe will be reduced to a uniform general type, that of a national short-service army with limited effectives," the size of which is to be determined by the formula suggested in the Hoover plan. The project goes into considerable detail regarding the number and training of these effectives, and of military police with longer terms of service. The period of service in the national army must take into account pre-military training and that acquired in semi-military formations—an obvious reference to the political organizations in Germany, Austria and Italy. In addition to these home forces, each nation will place permanently at the disposal of the League of Nations, as a contingent for joint action, a small number of specialized units, serving a relatively long term, and provided with the powerful materials prohibited to the national armies. Such materials are to be "stored in each of the contracting States under international supervision," where they may be restored to national use should the nation be engaged in legitimate self-defense in accordance with a decision of the Council. As rapidly as possible, all war materials are to be standardized on a uniform type. To insure that every nation organizes its armed forces and its material in accordance with the rules, there shall be established an international supervisory body which shall make annual investigations.

Although overseas troops are excluded from the national quotas, outlined above, they are, nevertheless, to be limited by the terms of the general convention. Naval forces, also, do not come within the terms of the Continental agreement. In regard to these, there shall be regional understandings of a political character—such as, for example, a Mediterranean pact—which will result in further limitation and reduction, both quantitative and qualitative. While no provision is made for a navy permanently under League control, it is proposed that the Council, in order to enforce its decisions, shall have the right to call on the signatory powers for a stipulated number of vessels of every category, which will act, presumably, under international direction. The chapter on air forces provides for the total abolition of bombing aircraft, except, perhaps, such as are placed under the

control of the League, the establishment of a European air transport union, having supervision of all international air transportation, and the organization by the League of a strong air force capable of immediate action in enforcement of its decisions.

Detailed as the plan is, it contains no answer to the difficult questions as to how the international forces are to be constituted, how the general staff is to be recruited and where it is to be located, how the League is to be assured of the control of the heavy armaments "stored" in each nation and a dozen similar queries. The other European powers are skeptical of a plan which will permit France to retain a large colonial force only a few hours away, while all her naval plans are based on the rapid transportation of these troops to Europe. The possession of such forces would nullify any theoretical equality of right to arm and any ratios of military strength based on the earlier provisions of the document.

So far as it relates to the United States, the plan would involve the amplification of the Pact of Paris by a consultative agreement, the acceptance of the obligation to prohibit "direct or indirect economic or financial relations" with an aggressor country and the incorporation of the Stimson doctrine of non-recognition in a treaty having universal application. There may be some question as to our obligation under the plan to cooperate in naval operations, but, as the clause is related to a chapter which deals solely with European organization, it seems very doubtful if any such obligation is intended.

Despite the assertion that the plan is presented as an "indivisible whole," the French fully realize that it cannot be completely achieved at once. They accept the statement of Sir John Simon that "such a plan can only be carried out by stages, each subsequent stage being justified and prepared for by the proved consequences of what has gone before." They are quite willing, too, that parts, at least, of the American and the British schemes should be incorporated with it.

Three days after the publication of the French proposals, Sir John Simon, in a speech before the Bureau of the Conference, restated the British position. He admitted the principle of equality of right demanded by Germany and hinted that, within the limit of total tonnage permitted by the Versailles Treaty, Germany might be permitted to build battleships of more than 10,000 tons. He would agree to a general reduction of the tonnage of cruisers to that established for Germany by the treaty, and to a total abolition of submarines. Large tanks should be abolished, since they are solely weapons of offense. Small tanks he would retain. Admitting in principle the right of Germany to possess a limited number of such weapons, he hedged this statement by a qualification that, "in practice," it might not be possible to allow it, and that, in any event, their number and size should not be determined in advance. The calibre of mobile land guns might be reduced in new construction to the 105-millimeter size permitted to Germany, but he implied that the nations which now have larger guns should be allowed to keep them.

Sir John Simon favors immediate reduction of all air forces to the level of those of the United Kingdom, a subsequent additional cut in all of 33 per cent, and the limitation of unladen weight at a lower figure. He wishes to retain the right to use aircraft for bombing "for police purposes in outlying places," obviously referring to such cases as the recent bombing of Arab villages in Iraq and the American use of planes for similar purposes in Nicaragua. No attempt is made to square this statement with his earlier condemnation of "the frightful horrors of bombardment from the air," the inference being that the practice ceases to be horrible when applied against a population that is unable to retaliate. Pending a decision on all

these points, the British Government thinks it "not unreasonable that Germany should refrain from any claim to possess military or naval aircraft. "If Germany desires a reduction of her term of enlistment from twelve to six years, the number of long-service troops should be reduced from 100,000 to 50,000. No reference is made to the French suggestion for abolition of Continental long-service armies. His statement closed with a reaffirmation of the principle of a permanent disarmament commission.

For some reason, Sir John did not include in this document an important suggestion which he made in the House of Commons on Nov. 10, to the effect that "all European States should join in a solemn affirmation that they will not, in any circumstances, attempt to resolve any present or future difference between them by the use of force." The substitution of the word "force" for "war," as it appears in the Pact of Paris, is of the utmost importance, as it would guard against such situations as that in Manchuria, where war has not been declared; as the forcible annexation of Vilna, and similar situations of which recent history furnishes too many examples.

On Nov. 18 an important debate before the bureau on the private manufacture of arms brought out the fact that the United States as well as Great Britain, which hitherto have opposed attempts at regulation, are now ready to agree to it. Japan, while not opposing the control of private manufacture, is at present unwilling to accept so great a degree of control for her public arsenals. The American delegates still oppose a complete ban on gas warfare by taking the position that experimentation with a view of defense against gas attacks must still go on. The general belief is that any such authorization would endanger agreements regarding a complete prohibition of the use of gas. It is recognized, however, that such restrictions as are applied must be of a character which will not interfere with the legitimate and normal activities of the manufacture of chemicals.

Germany still hesitates to return to the conference, not only because of the equivocal nature of the responses officially made by France and Great Britain to her demand for the recognition of her right of equality, but quite as much, perhaps, because of the instability of her government. At the moment it seems likely that there will be concessions on both sides, and that informal conversations are likely to result in the discovery of a formula which will permit Germany to join in future discussions.

THE ECONOMIC CONFERENCE

The preparatory commission of the Monetary and Economic Conference concluded its first session on Nov. 9. Very little of importance was accomplished, and this through no fault of its members. No useful purpose can be served by convening the conference until after March 4, nor even then if a discussion of tariffs and war debts is to be prevented. It is very far from being the fact, however, that the responsibility for delay lies entirely with the United States. The Ottawa agreements, the failure of parliamentary government in Germany, the budgetary situation in France, the failure of the Stresa conference to deal with a single aspect of the larger problem, make it quite uncertain whether the world is yet ready to face the implications of the present policy of dog eat dog, and to adopt a program of economic and financial rehabilitation.

A ray of light breaking through the clouds of international misunderstanding and hostility was afforded by the announcement on Nov. 16 that the Franco-German Economic Commission had agreed to a consortium, to be financed by bankers in both countries and in Great Britain, for the construction and electrification of railroads and other public works in countries such as Poland, Rumania, Portugal and Iraq, where capital for such purposes is lacking.

The Foreign Notes on War Debts

FILLED with a sense of righteousness and generosity because of the sacrifices they made at Lausanne, *Great Britain and France waited until the American elections were over before asking the American Government to review the war debt situation and to permit the suspension of payments due during the period of review.* The British Ambasador, Sir Ronald Lindsay, presented the British note to the Department of State on Nov. 10; the French note was presented by Ambassador Claudel on Nov. 11.* Though most Americans were probably startled by this development, it did not come as a surprise to political observers. Unofficial agitation for reduction and even for cancellation, in the United States as well as in Europe, had existed even during the pre-depression years, and the serious revival of the debt question became inevitable when economic stress deepened and persisted. (For a general discussion of the war debt problem, see Dr. Ostrolenk's article on page 413 of this issue.)

Certain definite events, however, foreshadowed the appeals of the European debtors for relief. The first of these was the Hoover moratorium. Since it was agreed that a postponement of intergovernmental payments was urgently necessary in 1931, the question whether a similar suspension might not be equally necessary in 1932 held the attention of statesmen, budget framers and economists of many countries. An especially significant event was the joint communiqué issued by President Hoover and Premier Laval at the conclusion of their talks in Washington on Oct. 25, 1931, in which it was stated that "prior to the expiration of the Hoover year of postponement some agreement regarding *them [intergovernmental obligations] may be necessary covering the period of the business depression. The initiative in this matter should be taken at an early date by the European powers* principally concerned within the framework of the agreements existing prior to July 1, 1931." This suggestion led, according to the notes of the British and French Governments, to the Lausanne agreements.

The third incident was the statement of President Hoover in his special message to Congress concerning the moratorium on Dec. 10, 1931: "As we approach the new year it is clear that a number of the governments indebted to us will be unable to meet further payments to us in full pending recovery in their economic life. Therefore it will be necessary in some cases to make still further temporary adjustments." The President also recommended the re-creation of the World War Foreign Debt Commission, "with authority to examine such problems as may arise in connection with these debts during the present economic emergency, and to report to the Congress its conclusions and recommendations." But Congress approved the moratorium, refused to recreate the Debt Commission and warned that its approval of the year's suspension of payments was not to be taken to indicate any future favorable consideration of reduction or cancellation of the war debts.

Later in December, 1931, the Basle Report announced that Germany would be unable to pay the unconditional part of her reparation annuity for the year beginning July 1, 1932. This spurred the creditor governments of Europe into taking the initiative suggested in the Hoover-Laval statement, and a conference on the reparation

*In the article, "The Dilemma of the War Debts," on pages 413-419 of this issue, the reception of the French note is dated incorrectly as Nov. 10, instead of Nov. 11. The American replies to Great Britain and France were sent Nov. 23, not as stated in the article, on Nov. 26.

question was arranged to meet at Lausanne in January, only to be postponed from time to time because of unfavorable political conditions.

Another important link in the series was the failure of the British and French Governments to make provision in their new budgets for debt payments due to the United States on Dec. 15, 1932. These omissions showed clearly that an extension of the Hoover moratorium was anticipated.

Finally, the Lausanne agreement of July 9 brought the reparation question to a point of real settlement, but its final ratification was made conditional upon the success of Germany's creditors in obtaining concessions from the United States in respect to their war debts. Communications to this effect would probably have been addressed to Washington soon after the conclusion of the Lausanne conference but for the American Presidential campaign, and the reluctance on the part of the debtors to embarrass President Hoover at such a time. As soon as the election was over, however, they acted almost simultaneously, because only five weeks remained in which to win the support of the American Government, Congress and public to the suspension of the payments due on Dec. 15.

The Hoover-Laval communiqué mentioned above was, in fact, used as a springboard in both the British and French notes requesting postponement as a preliminary to general review of the debt agreements. Both notes linked reparations with war debts and in the French note special stress was laid on the sacrifices made at Lausanne. Mention was made in both of the suspension of intergovernmental payments between the participating powers at that conference, during the period of negotiations, in urging a similar suspension during the proposed war debt discussions.

In some quarters in the United States, Great Britain and France were accused of endeavoring to present a united front on the debt question and the gentleman's agreement at Lausanne was cited as additional proof. The British Government took pains to deny any such intention and explained that the similarity of the notes was due to the force of circumstances, since the subject-matter of both notes was identical and since it was set forth in each case in the customary diplomatic idiom.

The replies that were made by the American Government to the debt notes on Nov. 23 were, of course, made wholly on the responsibility of President Hoover. They set forth the lack of jurisdiction on the part of the President to grant postponement of the instalments due on Dec. 15 or to grant review of the debt situation. In both replies it was asserted that the suggestions of the two governments went far beyond "anything contemplated or proposed at any time in the past either by President Hoover or by this government," and that "no facts have been placed in our possession which could be presented to the Congress for favorable consideration."

The President advised the two governments, however, that he was prepared to recommend to Congress that it constitute an agency similar to the World War Foreign Debt Commission to examine intergovernmental financial obligations and to consult with each government individually. They were further assured that the payment of the obligations due on Dec. 15 would greatly increase the prospects of a satisfactory approach to the whole question. In the reply to the British Government it was stated that the United States still held to its traditional view "that reparations are a solely European question in which the United States is not concerned," and that it would not recognize any inference "that the settlement of German reparations was made in reliance upon any commitments given by this government."

Meanwhile, notes requesting postponement of the impending instalments and review of debts were re-

ceived by the Department of State from Belgium, Czechoslovakia and Poland, and replies similar to those addressed to Great Britain and France were made to them. Greece had already defaulted on a payment due to the United States on Nov. 10, while Italy refrained from joining in the campaign for postponement and revision, but her instalment was small and she is understood to favor review.

The governments of France and Great Britain lost no time in preparing new notes setting forth the facts as they saw them in more detail, with the ultimate view that they would be passed on to Congress for its consideration. The second British note was delivered to the Department of State on Dec. 1. Asserting that the resumption of the war-debt payments on the pre-moratorium scale would deepen the world depression and adversely affect commodity prices with disastrous consequences to the whole world, and that a discussion of the debts might be instrumental in the revival of world prosperity, the British Government again asked for the postponement of the instalment due on Dec. 15 and review of the whole question. The loss which the British and American taxpayers would suffer from reconsideration of the war debts was held to be far less than the loss of wealth and the human misery caused by the economic crisis. It was stated that the President's suggestion in his statement on Nov. 23 of payment through the deposit of foreign currency to avoid gold exports, had to be rejected, as British gold reserves were not large enough to permit such payment. The note contended that unless there was a review of the war debts, the Lausanne agreement could not be ratified and the reparations question would still remain unsettled, with possibly fatal results. It further asserted that a *de facto* connection existed between debts and reparations and that this connection was "by implication admitted by the United States Government when it proposed a moratorium on all intergovernmental obligations last year." As to the renewal of payments, the note stated that Britain's adverse balance of trade with the United States in 1931 amounted to £78,000,000, and that in the present circumstances payment could only be made "by adopting measures which would further restrict British purchases of American goods." As proof of the faithful adherence of Great Britain to the debt arrangements up to the present time, the note stated that while Great Britain's debt to the United States was but 40 per cent of the total, she had paid 80 per cent of the total received.

Press opinions on the British note in the United States were with few exceptions favorable to a careful examination of the British case. The reaction in Congressional circles was far different, however, and it was clear that opposition in Congress to any abatement of the debt burden had become crystallized. As The *San Francisco Chronicle* said editorially: "Whatever President Hoover may recommend now, or President Roosevelt may propose later, Congress has made up its mind, and its answer is 'No.' "

The text of the second French note was received on Dec. 2. In it the French Government emphasized that it had never considered questioning "the juridical validity of the various obligations by which the war debts originated," and that in requesting a postponement it was not going beyond the request of President Hoover himself in June, 1931. The Hoover-Laval communiqué of October, 1931, was stressed as in the first note, and it was held to have led to the sacrifices made at Lausanne. It expressed the view that the strict application of the debt arrangements "would result in creating further chaos and poverty throughout the world, inasmuch as the transfer of sums without corresponding exchange cannot but unbalance yet more profoundly international relations."

The French note dealt therefore

with postponement of the Dec. 15 payment, and only indirectly with the question of review. As in the case of the British note, it failed to make any impression on Congressional opposition to a new moratorium.

On the whole, British opinion has made an effort to appreciate the American attitude and American difficulties, but strong views are held by some well-known Englishmen. Viscount Snowden, Chancellor of the Exchequer in two Labor governments, in a special article in *The New York Times* of Nov. 17, urged cancellation of the British debt. Offering the familiar argument that the original loans were America's contribution to carry on the war while she was inactive during the fifteen months following her entry, he concluded that Great Britain is not bound in equity to pay. He complained also of the unequal treatment accorded the debtors by the United States, of war profits, of the high American tariffs. L. M. S. Amery, former Conservative Cabinet Minister, in an address at Birmingham on Nov. 29, scorned repudiation, but said that Great Britain could pay the war debt to the United States only by cutting down on purchases from her. *The Economist*, of Dec. 3, stated that the British Government should not shrink from default if it should feel "that payment would create exchange and other difficulties on an international scale to which it has no right to expose the world."

It must be remembered that there has always been strong opposition to the payment of war debts in France, and that the funding arrangements for the French debt to the United States were not finally ratified by the Chamber of Deputies until 1929, and then only by the close vote of 300 to 292. Even this approval was conditional upon the payment of the debt "exclusively by the sums that Germany shall pay to France." Now that the German reparations have been almost abolished, the payment of the debts becomes to the French mind utterly illogical. But Pertinax, perhaps the most penetrating of French publicists, observed in *L'Echo de Paris* on Nov. 12, that the case of the debtors was strong in equity but weak as a matter of law. M. Berenger, former Ambassador to the United States, and co-author of the Mellon-Bérenger funding agreement, has stated his belief that France is no longer morally bound to pay. And M. Malvy, president of the Finance Commision of the Chamber of Deputies, declared on Nov. 9, "I consider it a supreme injustice that after having deleted from our budget the German debt on the initiative of the President of the United States, payment of the debt to America should be imposed on this country."

On no great public question in our time has there been so great a divergence of opinion between the experts and the legislators as on American war debt policy. The experts—among them the foremost students of affairs, the leading bankers and economists—have almost to a man favored the extension of the moratorium and a reconsideration of the debt situation. The press has also been uniformly favorable to a serious reconsideration of the facts presented by the debtor nations. But the legislators—among them Speaker Garner and the members of the Foreign Relations and Finance Committees of both houses—have almost unanimously gone on record as categorically opposed to any kind of leniency toward the debtors.

There seems little hope, then, that the Congress will take any step calculated to lighten the debt burden. It seems likely that President Hoover will recommend in a special message to Congress the creation of some agency empowered merely to investigate the facts in the debt situation and to report on them, but as the Congress has changed little in composition and less in mind since it refused to carry out a similar recommendation last December it is likely that nothing will be done in that direction. R. L. B.

The State of the American Nation

By E. FRANCIS BROWN

POLITICS of one sort or another is not long adjourned in the United States, at least in times like the present. No sooner had the country turned its back on the Presidential election than it faced the prospect of the concluding session of the Seventy-second Congress. Trained in the months of the campaign to discuss, more or less carefully, the problems of a tangled social and economic order, citizens discovered that their consideration of those problems was not concluded with the casting of ballots on election day. Thus, in the weeks preceding the assembling of Congress, Americans were forced to continue their study of the state of the nation.

Nothing is more dead than a Presidential election once it is over, yet there are some interesting results which are worth recording. The final figures were still awaited at the end of November. On the voting there needs to be little comment. Nearly complete returns on Nov. 29 showed that Governor Roosevelt received 22,314,058 votes, the largest number ever received by a winning candidate. His majority of 6,738,584 was slightly more than that of President Hoover over Alfred E. Smith in 1928. Thus the Democratic victory entailed a shift of more than 13,000,000 votes, a change in which the Negroes participated, since reports indicate that for the first time since the Civil War many of them deserted their traditional Republican allegiance.

Of the minor candidates, only Norman Thomas, the Socialist standard bearer, and William Z. Foster, the candidate of the Communists, attracted much attention. Mr. Thomas's most enthusiastic supporters had prophesied that he would receive nearly two million votes, although the candidate himself and the more cautious members of his party maintained that half of that number would be cause for satisfaction. On the basis of incomplete returns, Mr. Thomas obtained 805,813 votes. While the vote is three times that received in 1928, it is, in many respects, surprisingly low, because in a year of so much distress the radical vote might have been expected to increase tremendously. Although there was probably some counting out of Socialist ballots, the size of the vote seems to indicate that many liberals in the end, rather than risk a continuance of the Republicans in power, supported the Democracy. Mr. Foster's vote of only 69,104—in 1928 he received 48,770 votes—can be explained on similar grounds and the fact that the Communist movement in the United States is apparently not as strong as near-sighted observers have believed.

As with most American elections, corruption and intimidation have been alleged, justly in many cases there can be no doubt. In New York, New Jersey, Pennsylvania and Delaware hearings were quickly held to sift these charges, but one does not have to be a cynic to despair of any significant result from the investigations.

The Seventy-second Congress, when it met for its "lame duck" session on Dec. 5, was under Democratic control, since the party has a majority in the House and with the insurgents is able to block Republican measures in the Senate. For this reason the conferences of the President-elect with Democratic Congressional leaders during the latter part of November were

extremely important, for it is conceivable that under Mr. Roosevelt's direction Congress will attempt to push through a program devised by him in what seems a forlorn hope of staving off an extra session of the Seventy-third Congress soon after the Democratic administration is formally inaugurated.

On Nov. 23, the day following his extraordinary conference with President Hoover on war debts (see Dr. Ostrolenk's article, "The Burden of Being a Creditor," on page 413 of this issue), Governor Roosevelt talked with the leaders of his party in Washington and apparently outlined what he believed should be the work of the Democrats in the "lame duck" session. This program included opposition to *immediate change in the foreign debt structure, balancing of the Federal budget, enactment of beer legislation* and farm relief. Plans for putting the program into effect were carried further in meetings between the Governor and leading Democrats at Warm Springs, Ga., after Thanksgiving. At the same time delegations from farm organizations visited him and discussed proposals for agricultural relief.

Of the four points in this legislative program the public was most interested in the plan to legalize the manufacture and sale of beer. The overwhelming wet victory at the polls in November and the promise of the Democrats to modify the Volstead act immediately gave great impetus to

SEMI-FINAL ELECTION RETURNS BY STATES

State.	Roosevelt	Hoover.	Thomas.	Foster.	Reynolds.	Harvey.	Upshaw.	Coxey.
Alabama	207,910	34,675	2,030	406	...	...	13	...
Arizona	79,264	36,104	2,618	256	...	...	...	...
Arkansas	189,602	28,467	1,269	175	...	1,049	...	...
California	1,276,423	823,069	56,576	...	...	7,592	14,010	...
Colorado	234,571	180,212	9,707	...	...	...	402	...
Connecticut	281,360	287,841	20,053	826	1,538	...	...	...
Delaware	54,319	57,073	1,376	133	...	...	...	...
Florida	206,307	69,170	879	4	...	57	37	...
Georgia	234,118	19,863	461	23	...	...	1,125	...
Idaho	109,208	71,122	516	481	...	4,685	...	...
Illinois	1,882,304	1,432,756	67,258	15,582	3,638	...	5,938	...
Indiana	860,626	671,179	19,344	...	...	...	10,473	...
Iowa	597,416	414,840	12,719	459	...	...	1,179	649
Kansas	424,204	349,498	18,276	...	...	...	...	...
Kentucky	580,574	394,716	3,853	272	1,396	...	2,252	...
Louisiana	190,925	18,216	...	...	...	...	...	...
Maine	126,005	163,500	1,843	...	...	...	...	...
Maryland	314,314	184,184	10,489	1,031	1,036	...	...	...
Massachusetts	800,027	737,655	32,808	...	...	...	950	...
Michigan	873,847	740,808	39,325	3,655	705	180	2,454	85
Minnesota	600,806	363,959	25,476	6,101	770	...	...	5,731
Mississippi	140,168	5,170	675	...	...	...	...	...
Missouri	1,006,613	551,128	13,301	411	231	...	1,030	...
Montana	127,455	78,064	7,896	1,797	...	1,460	...	...
Nebraska	359,082	201,177	9,87[illegible]	...	...	...	...	...
Nevada	24,367	10,546	...	...	...	...	...	...
New Hampshire	100,608	103,629	947	264	...	...	...	...
New Jersey	806,603	775,663	43,219	2,963	1,053	...	747	...
New Mexico	88,469	50,920	1,640	129	...	361	...	...
New York	2,524,616	1,930,678	176,045	15,800	6,200	...	...	...
North Carolina	498,006	208,334	5,599	...	...	...	89	...
North Dakota	147,929	64,680	1,855	431	...	880	...	...
Ohio	1,301,695	1,227,679	64,094	7,231	1,968	...	7,421	...
Oklahoma	516,468	188,165	...	...	...	...	...	...
Oregon	210,313	132,326	13,923	1,489	1,673	...	...	...
Pennsylvania	1,278,425	1,442,393	48,258	2,580	480	...	3,126	...
Rhode Island	145,853	114,320	2,306	444	349	...	139	...
South Carolina	102,347	1,978	82	...	...	...	...	...
South Dakota	183,559	99,133	1,445	382	...	3,258	466	...
Tennessee	251,089	124,859	1,785	247	...	...	1,933	...
Texas	623,744	85,329	...	...	...	...	...	...
Utah	116,750	84,775	4,087	947	...	...	...	...
Vermont	54,751	77,665	1,493	...	...	...	...	...
Virginia	203,980	89,637	2,382	86	...	...	1,843	...
Washington	243,024	148,650	20,574	1,178	338	25,523	692	...
West Virginia	402,895	327,758	3,382	257	...	...	765	...
Wisconsin	676,417	332,601	52,206	3,011	483	...	2,572	...
Wyoming	54,702	39,310	1,867	53	...	...	...	...
Total	**22,314,058**	**15,575,474**	**805,813**	**69,104**	**21,858**	**45,045**	**56,656**	**6,465**

the movement to bring back beer. Moreover, the growing Treasury deficit made the revenue possibilities of beer seem most attractive, and there was hope that beer also would stimulate industrial activity. (For a discussion of this aspect of the question, see Mr. Hacker's article, "If Beer Returns," on page 385 of this issue.) Petitions from industrial groups and the declarations of Senators and Representatives, who had formerly been dry, that they would vote for legalized beer made definite action seem probable. President Hoover's attitude remained uncertain and was the cause of a brief controversy between Representative Britten and Theodore G. Joslin, secretary to the President, over whether or not Mr. Hoover would sign a beer bill.

Meanwhile House and Senate leaders laid definite plans to bring a bill for legalizing beer to the floor of Congress as soon as that body convened. Hearings to consider a tax on legalized beer were scheduled to begin on Dec. 7 before the House Ways and Means Committee, and it was believed that the beer measure would be included in a general revenue or economy bill which President Hoover would find it difficult to veto. The possibility that drys in the Senate might filibuster to prevent the passage of such legislation had to be taken into consideration in planning the strategy to be employed by the wets.

Both Republican and Democratic leaders in the House reached an agreement before the convening of Congress to vote on a resolution repealing the Eighteenth Amendment. Speaker Garner, who drafted the resolution, planned to have the vote taken on the first day of the session and to shut off debate by suspending the rules of the House. Similar action appeared to have strong support among Senators. But when the resolution was presented in the House, it failed by six votes to obtain the two-thirds majority necessary for adoption. Repeal apparently was postponed until the next Congress.

It is conceivable that wrangles over repeal and beer will prevent much constructive work being done at the "lame duck" session, but Congress will be obliged to consider the war-debt problem and also to take up the difficult question of balancing the Federal budget. How far out of balance the budget will be at the end of the fiscal year next June is not easy to determine, but certain it is that a budget supposedly balanced when Congress adjourned last Summer showed a steadily mounting deficit which approached $1,000,000,000 before the fiscal year was half over. New sources of revenue and new economies must be found.

The Hoover administration hopes to balance the budget through economies which will make new taxes unnecessary. At a Cabinet meeting on Nov. 19 it was decided to propose a $700,000,000 reduction in government expenditures, largely through the abolition of "useless" bureaus and commissions. But as such a procedure would be likely to deprive the incoming Democrats of considerable patronage there seems little likelihood of its being well received by Congress. Attempts undoubtedly will be made to economize by curtailing the construction of public works and a well-organized lobby will seek to reduce expenditures in the veterans' administration. Despite the public clamor for economy and the fact that the government might operate more efficiently and cheaply, it is to be feared that if any reduction in expenses is made it will be by sacrificing governmental social functions which have been established after years of effort.

The only other way to balance the budget is by increasing government revenues, and this would seem to mean new taxes. Much talk has been going the rounds in favor of some sort of sales tax; yet the principle of that tax is one which does not appeal to any one who pretends to believe in

equitable taxation. It is easy to collect, it should bring in large returns, but it falls heaviest on the man least able to bear the burden. Except under great pressure, it seems unlikely that the sales tax will be acceptable to Congress. The return from a beer tax has probably been exaggerated by its proponents. In any case, a new revenue bill of some sort can be expected, a bill that will seek new sources of income and that will modify some of the taxes imposed last year which have proved unsatisfactory or which have aroused extensive protest.

For the rest, Congress will be forced to consider many measures. Farm relief is certain to be debated, although it is not at all clear whether any bill can be made law. Pleas for higher tariff protection will be presented to Congress by industries which allege that they have suffered from dumping by nations that are off the gold standard. Legislation looking toward banking reform will again be on the Congressional docket. Agitation for payment of the veterans' bonus is certain to be heard, and it seems not improbable that proposals for further unemployment relief will be aired in the Capitol. Finally, Philippine independence, the World Court and the St. Lawrence waterway treaty will be under consideration, although it is anticipated that they will spend most of the session slumbering in committees.

Perhaps some ray of hope is to be found in the rise of exports in October by $21,000,000 over the preceding month. While some of this improvement is seasonal, it was not based to such an extent as usual on an increase of cotton exports. Nevertheless, the total for October was only $153,000,000, compared with $204,905,000 in 1931.

The Reconstruction Finance Corporation, the chief of the Federal agencies for maintaining the nation's economic life, has continued to pour out funds to authorized institutions. During October $25,926,269 was advanced to railroads, $81,514,500 to self-liquidating construction in an attempt to aid employment, $36,000,000 as capital for the twelve regional agricultural credit corporations and $22,634,762 to the States for work relief loans. Loans for self-liquidating projects have been extended so slowly that it was Nov. 26 before any money was actually available and, according to a United Press dispatch on the following day, only 1,000 men had actually obtained work through the operation of the self-liquidating project provision of the R. F. C. act. Congress had hoped that between 1,000,000 and 2,000,000 men would benefit from the act. The slowness with which this phase of the corporation's activities has been carried out is likely to cause reverberations in Congress, as is the fact that not until Nov. 29, more than a month after they were expected to open, did the Federal Home Loan Banks announce that they were actually functioning.

The deliberations of Congress are to be further disturbed by demonstrations by "hunger marchers" and a conference of disaffected farmers. The descent of the farmers upon Washington is the aftermath of the farm strike of last Fall, which was organized in an attempt to prevent the marketing of farm products in Iowa and the adjoining agricultural States of the Middle West. Exactly what the farmers want is not clear except that they want relief from their present troubles and if price-fixing for agricultural products, a moratorium on farm mortgages and a refunding of farm debts will bring help, that is what they want. The march—actually a truck caravan—was planned to begin at Seattle and to gather recruits as it passed through the States of the Far and Middle West. The farmers' demonstration, however, was expected to be orderly and not more than 350 to 500 men were to attend the conference, where a petition was to be drawn up for presentation to Congress.

The "hunger march" was somewhat different and in part, at least, had Communist inspiration. The marchers started toward the capital late in November so as to be present in full force when Congress convened. Washington police prepared to prevent violence, but otherwise hoped to maintain a hands-off policy. Charitable organizations in the District of Columbia issued warnings that they could not and would not provide food and shelter for these demonstrators. Nevertheless, the units of the "army" began to converge on Washington and it was estimated that at the opening of Congress about 3,000 persons would be on hand to demand unemployment relief.

Both the hunger march and the farmers' conference were the result of the continued lag in economic improvement. In these pages a month ago an attempt was made to survey the nation's progress toward recovery, a survey which disclosed many contradictions. These have not disappeared. The election of Governor Roosevelt to the Presidency and the overwhelming victory of the Democrats seemed to give business men new hope, partly because of the tremendous mandate given to the Democracy, which promised an end to the pulling and hauling between Executive and Legislature which have been so constant for many years. Perhaps there was some psychological value in a change at Washington and certainly there was relief that the election was over. With business agreeing that a Democratic victory would not be harmful, the press continued printing its optimistic accounts of a business upturn. But once again the proof of that upturn was hard to find.

The weekly index of business activity compiled by *The New York Times* has shown little sign of any real progress. For the week ended Oct. 29 it stood at 55.5 as compared with 55.4 for the previous week; a week later it dropped to 55.2, then to 55.1, but for the week ended Nov. 19 it rose again to 55.8. During October automobile production fell to 48,934 cars, the lowest figure since records of output have been kept. Steel manufacture, car loadings and electric power output helped to keep the index of business activity down, although it should be pointed out that the index shows that business is at least holding its own and is slightly better than last Summer, when the index at one time stood at 52.2. During October thirty-three of the first sixty-two railroads to report on their finances showed increased net operating income compared with the same month a year ago. This improvement is largely the result of drastic reductions in operating costs.

As a whole the banking situation of the country seemed stronger in November, despite troubles in the Pittsburgh area and a crisis in Nevada, where a twelve-day bank holiday was proclaimed on Nov. 1. The R. F. C. reported on Nov. 28 that during October it had authorized fewer bank loans than in any month since it was established. Moreover, many institutions have canceled advances which were approved but never drawn upon. Meanwhile, the nation's gold stock continued to rise, while the amount of currency in circulation, though falling slightly, was still for the week ended Nov. 30 $130,000,000 above the amount for the same week in 1931. Bank clearings for the week ended Nov. 9 were 37 per cent lower than at the same time in 1931.

The same disheartening picture is apparent when other business indices are examined. Between Sept. 8 and the latter part of November *The New York Times* composite average of fifty stocks lost 48½ per cent of the gain made in the late Summer, while the average of forty bonds lost 41½ per cent. Commodity prices, which improved encouragingly in July and August, showed a loss of 1.1 per cent in the weeks between Sept. 6 and Nov. 22. Wholesale prices, according to the

Department of Labor's index, fell from 64.9 for the week ended Oct. 8 to 63.9 for the week ended Nov. 5, on the basis of 100 for the year 1926. Prices for farm products have continued to decline until the gross income from agricultural production for 1932 is estimated by the Department of Agriculture to be only $5,240,000,000—$1,715,000,000 less than in 1931 and $6,710,000,000 below the total for 1929.

Employment, of course, reflects business conditions; improvement has been slight but without significance. During October industrial employment showed an increase of 1.1 per cent over September and payrolls were 3.8 per cent higher. The most pronounced gains were in coal mining, and must be considered largely seasonal. Despite this improvement, William Green, president of the American Federation of Labor, declared at the convention of that body at Cincinnati on Nov. 21 that 12,000,000 were unemployed—in part because of child labor.

This convention of the A. F. of L. was notable in many ways and particularly for its espousal of measures which have long been opposed by organized labor. Not only did groups at the convention urge a fight for the five-day week and the six-hour day but the convention supported the action of its executive council in approving the principle of compulsory unemployment insurance under State auspices, with the entire cost borne by industry. Speaking in favor of the shorter working day and working week in relation to unemployment, President Green declared: "We have got to bring about a condition where industrial management will be compelled to apply the shorter workday and workweek universally and simultaneously in all industry. * * * We will not be denied the realization of this great reform. It will be given to us in response to reason or we will secure it through force of some kind." The convention discussed the matter of wages, and again its president addressed the delegates in militant fashion, saying: "Since 1929 purchasing power has been reduced billions of dollars. How is it possible in 1932 to buy and consume the same amount as was bought and consumed in 1929 when buying power is $30,000,000,000 less? Prosperity will never return to our fair nation until we put back in the hands of the people the power to buy goods."

The words of Mr. Green and the whole tone of the discussions in the A. F. of L. convention met with disapproval among American conservatives, yet somehow a new labor attitude is to be expected. Since business and political leaders have been unable to prevent unemployment or adequately take care of men out of work, it is not to be wondered that organized labor, after three years of silence and inactivity, at last is showing some signs of taking care of its own. The only real surprise is that labor has waited so long and even now is proposing nothing which is not in line with American traditions.

Meanwhile, unemployment remains and methods for combating it seem to be as ineffectual as ever. The "share-the-work" movement, which has been under way for several months, may have achieved some success, though it is difficult to determine how much. At a dinner at the Waldorf-Astoria in New York City, at which 700 business leaders discussed the "share-the-work" idea, it was stated that 3,500 companies throughout the nation had put the plan into effect; no estimate was made of the number of men affected—certainly the results are not apparent on the surface.

Private agencies are being asked, as they were last Winter, to carry a large part of the burden of unemployment relief. In New York City late in November a drive to raise $15,000,000 for relief work was opened with a speech by Newton D. Baker. In other cities of the nation great efforts are being expended to obtain enough

funds to provide for the millions of people whom lack of work has reduced to destitution. Food and clothing have been distributed among the needy by the Red Cross, as the result of Congressional authorization of the use for this purpose of 85,000,000 bushels of wheat and 500,000 bales of cotton held by the Farm Board. On Nov. 12 the Red Cross announced that with these supplies it had fed 20,000,000 persons and given clothing to about 15,000,000.

In the midst of the more striking developments in the country some less conspicuous but no less important happenings deserve to be recorded. Of considerable significance in the history of American justice was the Supreme Court decision on Nov. 7 for a retrial of the seven Negroes condemned to death in the so-called Scottsboro case. This case, which arose from the alleged attack of nine Negroes upon two white girls in Alabama, had been the cause for radical agitation throughout the United States and foreign countries. At the trial of the nine Negroes one was acquitted and eight were condemned to death, but the conviction of one was reversed on appeal. The basis of the Supreme Court's decision was that the Negroes had been denied the right of counsel, guaranteed to them under the due process of law provision of the Constitution.

Another court action of interest was the consent decree of the United States District Court at Wilmington, Del., on Nov. 21, which ordered the distribution over certain specified periods of all stock in the Radio Corporation of America owned by the General Electric Company and the Westinghouse Electric and Manufacturing Company. The decree also provided for altering the patent licensing arrangement between these companies and for numerous corporate changes. The dissolution of this "radio trust" was hailed by many people as the most important action under the anti-trust laws since the decree against the packers in 1920; yet any one familiar with previous dissolutions will suspect that the distribution of the securities held by the members of the trust will not prevent the establishment of a "community of interest."

The Committee on the Costs of Medical Care, which for five years, under the chairmanship of Ray Lyman Wilbur, Secretary of the Interior, has been investigating American medical practice, issued its report on Nov. 30. Socialized medicine on the basis of group practice and group payment, with community medical centres, was the committee's final recommendation, a conclusion from which thirteen of the forty-eight members of the committee dissented. Immediately, conservative journals and members of the medical profession attacked the report as pointing toward "State medicine," a criticism which Dr. Wilbur met with the reply that the medical profession was tending toward some sort of community organization whether it liked it or not. While this report may not achieve any immediate results the findings embodied in it provide a mine of information on American medical practice, and it is highly significant that a study of this sort reaches the conclusion that socialized medicine is the prospect for the future.

THE BURDENS OF EMPIRE

The issue of independence still dominates the news from the Philippines. On Nov. 6, sitting as an independence commission, the Filipino Legislature adopted a resolution calling for immediate independence. Senator Quezon, who presented the resolution, declared that he would be willing to wait ten years for independence if the United States would immediately make the islands "autonomous in name as well as in fact." The resolution requested the shortest period possible for transition from the present status to independence, a trade agreement between the United States and the islands, and greater autonomy at once. Nevertheless, the issue of independence is badly confused, since the Filipino Legisla-

ture has urged immediate freedom, but has repudiated bills now before the American Congress, while the islanders have set up conditions which they know Congress will not grant. Although some American Senators expect a vote on the question of independence during the present session of Congress, it is most probable that the independence bills will be lost in the crush of more pressing business.

A protective tariff which Governor General Theodore Roosevelt urged in a message to the Philippine Legislature on Oct. 20 was enacted early in November and signed by him on Nov. 15. The Legislature has also provided for reorganization of the government on the basis of his recommendations, a reform which it is estimated will lower the costs of government 30 per cent.

In the other outlying possessions of the United States conditions are varied. Hawaii has been hard hit by the low price of sugar and the inability to market the pineapple crop to advantage. The islands, moreover, are worried lest Congress restrict the self-government which has existed since annexation to the United States.

Puerto Rico, afflicted with hurricanes, overpopulation and desperate poverty, is struggling with the need of reducing government expenses so as to prevent a budget deficit in the present fiscal year. What the economic and social future of the island may be is, of course, uncertain, but it is interesting to record that the recently elected Resident Commissioner in Washington, Santiago Iglesias, is an advocate of greater autonomy and legislation which will provide for improved housing, workmen's compensation, unemployment aid and factory inspection. Finally, the Legislature of the Virgin Islands has protested that a new organic act prepared at the instance of Governor Paul M. Pearson does not represent the will of the people. But the problems and needs of all these regions receive little attention from the American people, who are too closely concerned with affairs at home to consider the burdens of empire.

Central American Treaties of Amity

By CHARLES W. HACKETT
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OPPOSITION to the renewal of the Central American treaties of peace and amity which were signed in Washington in 1923, and which the United States Government endorses in principle, was championed by Costa Rica during November. These treaties were to be automatically renewed for ten years on Dec. 31, unless they were denounced by at least three of the signatory powers. On Nov. 12 President Ricardo Jiménez stated that Costa Rica would denounce the treaties.

Costa Rica's chief object in taking this action seems to be a desire to secure greater freedom with regard to recognition of governments in the other Central American countries. Under the Central American treaties governments coming into power in any of them as the result of revolution or force may not be recognized by the governments of the other Central American States "so long as the freely elected representatives have not constitutionally reorganized the country." Referring to the subject of recognition, President Jiménez stated that during his former administra-

tion, from 1924 to 1928, his government had not recognized the government of Adolfo Díaz in Nicaragua, having interpreted the treaties to prohibit such recognition, but that the United States, "looking at the case from a different point of view," recognized Díaz.

In furthering Costa Rica's opposition to a renewal of the treaties, Foreign Minister Leonidas Pacheco left San José de Costa Rica by airplane on Nov. 22 to visit the other signatory countries, with the exception of El Salvador, to promote a concerted movement to denounce the treaties. El Salvador was omitted from the itinerary on the ground that the government of President Martínez has never been recognized because of provisions in the treaties of 1923. From Washington it was reported that the proposed tour of Foreign Minister Pacheco would be watched closely by the Department of State, but that no move had been made to counteract it. The official attitude of the Department of State has been that the treaties are chiefly the concern of the five Central American powers that are signatories to them. The admission has been made, however, that in sponsoring the treaties the United States has a deep interest in them and is morally committed to them.

LIBERALS WIN IN NICARAGUA

Final returns from the Presidential election held in Nicaragua on Nov. 6 gave a total of 53,478 votes to the Conservative candidates, Adolfo Díaz and Emiliano Chamarro—both of whom are ex-Presidents—and a total of 76,030 votes, or a majority of 22,552, to the Liberal candidates, Dr. Juan B. Sacasa and Dr. Rodolfo Espinosa.

As the election was supervised by an election board presided over by Rear Admiral Clark H. Woodward, U. S. N., and as United States Marine detachments were on duty at the polls, the election of Dr. Sacasa constitutes a curious political anomaly. Dr. Sacasa, who was prevented by the marines from exercising his legal right of succession to the Presidency in 1926, has now been elevated to the Presidency of his country by a substantial majority in an election supervised by the marines.

In addition to winning the Presidency and Vice Presidency the Liberals elected six Senators and fourteen Deputies. As a result the next Nicaraguan Senate will consist of sixteen Liberals and eight Conservatives and the Chamber of Deputies will contain twenty-nine Liberals and fourteen Conservatives.

RETRENCHMENT IN PANAMA

By Nov. 15, or within six weeks after President Arias assumed office, governmental expenditures in Panamá had been cut $150,000 a month and the current deficit had been reduced from $200,000 to $50,000. These retrenchments necessitated the discharge of hundreds of government employes and the abolition of numerous positions.

REBELLION IN HONDURAS

Dissatisfaction over the recent Presidential elections in Honduras resulted in armed rebellion in mid-November. In the elections of Oct. 30 General Tiburcio Carias Andino, the Nationalist-Conservative candidate, who was supported by the government of President Mejia Colindres, won against Angel Zuñiga Huete, the Liberal nominee. Insurgent Liberals were reported on Nov. 14 to have captured Nacaome, only sixty miles southwest of Tegucigalpa and the key to the southern district of Honduras; at the same time they captured San Pedro, on the northern coast, where 300 men were officially reported to have been killed or wounded in twelve hours of heavy fighting between government and insurgent troops for possession of the city.

A unified plan of action to cope with the emergency resulting from the rebellion was considered at a Cabi-

net meeting on Nov. 17, which was attended by President-elect Andino and former President Paz Barahona. Government forces were reported on Nov. 18 to have recaptured Nacaome with but slight resistance from its Liberal defenders. On the same day President Mejía Colindres called upon Congress to meet in extraordinary session on Dec. 15 to consider the political situation arising from the rebellion.

MARTIAL LAW LIFTED IN CUBA

On Dec. 1 President Machado signed a decree restoring constitutional guarantees throughout Cuba except in Havana Province. Thus, martial law, which has been in force since the rebellion in 1930, except for two weeks preceding the last election, has finally been lifted from five of the six provinces. As to Havana, President Machado stated in the decree: "I hope that in the near future I shall be able also to re-establish guarantees in Havana. * * * Only the high responsibilities of maintenance of public order restrain me from doing so at present. As soon as I deem it safe the Constitution shall also become fully effective here."

This hopeful step follows directly upon the sweeping victory which the Administration party won at the polls on Nov. 1. While the three major parties—the Liberal, the Conservative and the Popular—and the recently organized Progressive party, put candidates in the field, the elections were merely contests between individuals, all of whom were frankly supporting the government, and no national issues were at stake. Liberal Governors were elected in five out of the six provinces and Liberals won a majority of the seventy contested seats in Congress. The Cooperative Conservatives, who are in full accord with the administration, elected the Governor of the province of Pinar del Rio, where the Conservatives have always had a majority.

Southern Cuba was swept by one of the most disastrous hurricanes in its history on Nov. 10. The entire province of Camaguey was laid waste; the town of Santa Cruz del Sur, on the southern coast of the province, was wiped out. More than 2,500 persons were killed and many more injured.

CLIPPERTON ISLAND AWARD

Despite the approval by the Foreign Relations Committee of the Mexican Senate of the King of Italy's arbitral award of Clipperton Island to France, opposition has arisen in the Mexican Congress and action on the award has been indefinitely postponed.

In 1858 the commander of a French frigate raised the French flag over the island in the name of Napoleon III. That, according to Mexican arguments, was an isolated incident, not made known to the world, and did not invalidate Mexico's claim to the island through its discovery by her Spanish conquerors. In 1897 a Mexican officer commanding the gunboat Demócrata visited the island, evicted its only inhabitants, namely, one American, one Englishman and one German and hoisted the Mexican flag. The dispute as to ownership that was thus precipitated was referred in 1909, at the request of President Díaz, to the King of Italy. Under the terms of arbritration, neither party was to appeal from the arbiter's award.

Early in 1931 King Victor Emanuel awarded the island to France, and in December, 1931, the Mexican Government, after announcing that the case would not be dropped until it had been satisfactorily settled, appointed a commission to study the award. Considerable opposition developed on the ground that the award had been influenced by an Italian desire for Mediterranean naval concessions from France.

The recommendation of the Foreign Relations Committee of the Mexican Senate on Nov. 9 indicated the end of Mexican opposition to the award, but on Nov. 14, the Senate indefinitely postponed action on the recommendation. Considerable discussion arose as to the attitude that the United States would take toward the

acquisition by a European power of an island only 600 miles out in the Pacific Ocean. Though Mexico has formally refused to recognize the Monroe Doctrine, the United States has consistently interpreted it as not permitting, even voluntarily, the transfer of any American territory to a European power. In cases of arrangements which threaten the security of the United States, it is now the policy of the United States to regard the Monroe Doctrine as operating "against the European country, not the American nation." The Mexico City newspaper *El Grafico* said on Nov. 14 that the action of the Mexican Senate in postponing action on the recommendation was based on a desire to avoid embarrassing the incoming Roosevelt administration in Washington.

On the ground that the arbitral award of the King of Italy cannot be accepted without an amendment to the Mexican Constitution, which prohibits the cession of national territory to a foreign power, the Association of Genuine Soldiers of the Revolution late in November sent messages to all State Governors urging delay in the ratification of such an amendment, which would require the approval of two-thirds of the States. The messages stated that since the King of Italy took more than twenty years to make the award it would not be unreasonable for Mexico to delay her acceptance for a similar period.

MEXICO'S NATIONAL RESOURCES

The intention of the Mexican Government to insure as national reserves Mexico's numerous mineral resources took practical form with the issue on Nov. 4 of a Presidential order. The order instructed the Ministry of Industry, Commerce and Labor to "proceed as soon as possible to declare as national reserves all free lands that can be exploited for the following substances: Gold, copper, antimony, mercury, aluminum, phosphates, nitrates, coal, platinum, iron and bismuths." The order was popularly interpreted in Mexico City to mean that further grants of exploitation rights in Mexican territory that can be worked by Mexican interests are unlikely, but that existing grants held by foreigners will be respected.

The enactment of legislation that will place the electric power industry under government control on the same basis as mining and petroleum production was requested by President Rodríguez in a special message to Congress on Nov. 19. In Mexico City the President's message was interpreted as a move to supersede with national control the legislative enactments of different States, notably those of Vera Cruz, which has shown a distinct prejudice against foreign-owned enterprises.

Advance payment to the Mexican Government of $7,000,000, which is to stand as credit against taxes falling due over a period of forty months, was made early in November by three foreign oil companies operating in Mexico. The British-controlled Aguila and Huasteca companies advanced $3,000,000 each and the Pierce Oil Company, an American corporation, advanced $1,000,000. Finance Minister Pani announced that the loans will be used to strengthen the peso and aid agriculture and industry, rather than to balance the Mexican budget.

The twenty-second anniversary of the great economic and social revolution that was initiated by the martyred Francisco Madero was observed on Nov. 20. A great parade through the streets of Mexico City was reviewed by President Rodríguez, his Cabinet and the Diplomatic Corps. Nearly 30,000 athletes, representing twenty of the twenty-eight States of the Mexican nation, participated in the parade.

The War in the Chaco

By HENRY GRATTAN DOYLE
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IN contrast with the relative domestic tranquillity throughout the continent, international relations among the South American States, as the end of 1932 approached, presented a gloomy prospect unmatched since December, 1928, when the territorial dispute between Bolivia and Paraguay over the Chaco first entered upon its recent acute phase. For more than six months an unofficial war, waged on both sides with determination, bravery and even ferocity, has cost the two countries as great a price in lives and treasure as would have been the case had they declared war in the traditional manner. As this is written a stalemate seems to have been reached, not only in the military operations of the contending countries, but in the unremitting efforts of neutral governments to compose the quarrel and find a solution to the territorial problem involved.

The Paraguayan drive described here last month seemed likely to continue its series of successes as November opened. On Nov. 6 the Paraguayans captured Fort Platanillos, hailed as their greatest victory since the taking of Forts Boquerón and Arce. Platanillos, situated about forty-three miles west of Boquerón and forty-four miles northwest of Arce, not only commands a north and south road, but one running east and west as well. It is the junction point for the northern approach to Fort Muñoz, the Bolivian concentration centre in the Pilcomayo sector, and was the most favorable Bolivian base for counter-attacks on Arce and Boquerón. Because of its fall, the Bolivians were forced to transport their troops and supplies along the Pilcomayo valley route through Linares and Magariños, rather than by the higher and drier route through Cabezón and Platanillos. This, in the rainy season, undoubtedly added greatly to their difficulties. The following day the Paraguayans struck twenty-five miles further north and captured Fort Bolívar, commanding roads to Forts Toledo and Corrales, which were taken earlier in the campaign. On Nov. 9 they occupied Fort Loa, about sixty-nine miles north of Platanillos, and Fort Jayacuba, also in the northern sector.

In the south, however, the Paraguayan advance made little progress during the month, in spite of almost continuous fighting and heavy casualties on both sides. The drive in this sector, based on Fort Nanawa, or Presidente Ayala, and having as its ultimate objective Fort Muñoz, the Bolivian headquarters, encountered stubborn resistance. Forts Samaklay, or Agua Rica—the only Paraguayan fort still held by the Bolivians—Saavedra and Marguía withstood repeated attacks, and were still holding out at the time of writing. Both sides seem to agree that the struggle for these three forts has been the greatest battle of the war. Bolivian success in stopping the Paraguayan advance at this point is attributed in Buenos Aires dispatches to the use of long-range mortars bought from Belgium in 1928. These guns, brought from Valla Montes, 220 miles away, over almost impassable roads, required eighty days to reach their destination.

Meanwhile both countries increased

their forces. Paraguay called all men of military age who had been allowed to remain in Asunción, as well as boy scouts between fourteen and seventeen years of age, who, according to reports, will be used for communication, ambulance and sanitation work and other auxiliary services at the front, relieving men for active fighting. Bolivia is also reported to have called up further reserves, and to be preparing an army of 30,000 fresh men against the arrival of General Hans Kundt, the German officer who formerly trained the Bolivian army and who was forced to leave Bolivia at the time of the overthrow of the Siles régime. General Kundt left New York on Nov. 17 for La Paz.

Reports of heavy casualties among their opponents, and extensive captures of arms and equipment come from both sides in the struggle, accompanied by charges of atrocities. On Dec. 1 the Paraguayans protested to the League of Nations against the alleged bombing of a hospital at Isla Poi by three Bolivian planes. It was also charged that the Bolivians had bombed a hospital at Fort Boquerón. Bolivian reports stated that the Paraguayans were sent into battle under the influence of liquor. Each side has denied the other's reports of inflicting heavy losses.

Meanwhile efforts by the neutral governments to bring about the cessation of hostilities did not cease. It was reported on Nov. 3 that the Argentine Foreign Minister, Dr. Saavedra Lamas, had sent a note to the commission of neutrals meeting in Washington in which Argentina took the position that the neutrals have no right to use force or compulsion against either Bolivia or Paraguay, and that the neutrals' efforts should be limited to the use of good offices and moral influence. The text of the note was not published until Nov. 16, although it had been sent on Sept. 26. On Nov. 17 Argentina published a proposed South American anti-war pact, intended "not to revoke but to complement the Briand-Kellogg pact" embracing provisions to outlaw war, to refuse to recognize territorial acquisitions made by force, to establish sanctions against an aggressor nation, including joint action to enforce all political, juridical and economic measures authorized by international law, but specifically pledging the signers not to use armed intervention or diplomatic pressure unless authorized by previous treaties to which the aggressor nation is a signatory. Machinery for conciliation was also to be set up.

Argentina's efforts to play a lone hand was reported unofficially as due to a desire to regain South American leadership in international affairs, lost under former President Irigoyen because of the latter's indifference to such matters. The place on the Inter-American Conciliation Commission now held by Uruguay is understood to have been offered to Argentina and refused by Dr. Irigoyen. In this connection it is worthy of note that Argentina's intention to rejoin the League of Nations, announced in September, was accompanied by a resolution adopted by the Argentine Chamber, which stated that Argentina regards the Monroe Doctrine, mentioned in Article XXI of the pact, as "a unilateral political declaration which in its time performed a notable service to the cause of American emancipation, but that it does not constitute a regional agreement as stated in the aforementioned article." It will be recalled that Mexico entered the League with a similar reservation.

The League of Nations renewed its efforts to aid in settling the Chaco problem when on Nov. 25 it cabled the two contenders and the Washington Commission of Neutrals urging that the proposed military commission to effect a truce in the Chaco be set up at once. This commission would be named by the commission of neutrals in Washington, in accordance with the commission's proposals of Sept. 14, 1932, which called for a demilitarized zone twenty kilometers wide be-

tween the combatants and immediate cessation of hostilities. Eamon de Valera, president of the Council of the League, in a statement given out at Geneva, called attention to the fact that one of the obstacles to peace in the Chaco was the willingness of foreign manufacturers to sell arms to the combatants. President-elect Alessandri of Chile, in a statement on Nov. 12, referred to the war in the Chaco as a "crime," but suggested that American agencies were better equipped than those of Europe to deal with the problem.

On Nov. 28 Paraguay notified the League that it was disposed to stop the war "provided effective guarantees were established." Bolivia on Dec. 1 replied to the League cable that she was disposed to suspend hostilities at once," but that "Bolivia is the country aggrieved and it is not the country on the defensive that should be asked to cease hostilities." "Paraguay," according to the reply, "begins by supposing that the disputed territory is its legitimate inheritance, and wishes to impose its abandonment, an unacceptable condition, in the negotiations with the neutrals." This is but a reaffirmation of the positions taken by the two countries in September-October with respect to the proposals by neutrals.

THE LETICIA QUESTION

The seizure by a group of Peruvians on Sept. 1 of the little town of Leticia, ceded to Colombia under the terms of the Salomón-Lozano treaty, brought those countries to the verge of war. Contact between the armed forces of the two nations, resulting perhaps in bloodshed as regrettable as that in the Chaco, seemed likely to occur at any moment, while diplomatic efforts to compose the matter appeared to be fruitless. Because of conflicting threefold claims in the so-called "Oriente" region, of which the Leticia question is only a phase, it seemed possible that Ecuador might also be involved because of her territorial claims in the vicinity. Further complications were threatened if Ecuador's neutrality were violated in an attempt by Peru to take the most direct route for her troops to Leticia, namely, across Ecuadorean territory. A report in *La Razon* of Buenos Aires, on Nov. 23, indicated that Brazil and Chile were negotiating a secret treaty jointly guaranteeing Ecuador's neutrality, officially declared by the latter a short time before. Brazil's own neutrality, because of the close proximity of her territory to the focal point of the dispute, might likewise be threatened in case either Colombia or Peru should undertake extensive military operations.

An attack on Peru's policy in the Leticia dispute by Dr. Max Winkler, president of the American Council of Foreign Bondholders, was issued on Nov. 14. "Peru is one of the arbiters between Bolivia and Paraguay and deliberately embarks on a venture similar to theirs, but far more dangerous," according to Dr. Winkler's report, which contrasts Colombia's policy in "courageously maintaining service on its foreign obligations throughout the crisis," with Peru's reported intention to spend $5,000,000 on ammunition, while holders of Peruvian bonds wait for resumption of interest payments.

Dr. Pedro Irigoyen, Peruvian Ambassador to Chile, in a statement on the same day, suggested revision of the Salomón-Lozano treaty of 1922, under which Leticia was delivered to Colombia, and declared that Colombia's failure to deliver to Peru certain lands lying between the Putumayo and San Miguel Rivers is sufficient reason to declare the treaty null and void. This was denied by the Colombian Minister to Chile, Dr. Ricardo Sánchez Ramírez, who in a statement on Nov. 19 declared that Colombia had carried out all the provisions of the treaty, which was ratified by the two countries and registered with the League of Nations.

On Nov. 26 it was reported that Peruvian regulars under General Ordóñez had occupied Leticia.

Britain's Unemployment Problem

By J. Bartlet Brebner
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Although the British Parliament considered a great deal of varied business during November, nearly all of it had to do with unemployment, and the unemployment situation itself was persistently discussed in relation to British conditions generally. The existing Conservative majority in the National Government was determined to effect the greatest possible savings and successfully opposed the Labor thesis of "work or maintenance" without investigation of the resources of the beneficiary. A temporary bill to secure uniformity in the "means test" was hurried through Parliament. It contained provisions to protect about 50 per cent of the beneficiary's income from a disability war pension, workman's compensation and savings. The year's alterations in unemployment administration have already saved about £8,000,000 annually.

The government was strengthened during the debates by an improvement, unusual for October, in the figures of unemployment. There were 246,000 more employed than at the end of September. But the total number of registered unemployed at the end of October was 2,747,006, or 20,914 more than the figures for the same period in 1931. The end of the spinners' and carders' strike on Nov. 5, as the result of balloting among the workers, was largely responsible for the improvement, but the iron and steel industries as well as textile manufacturing absorbed more workers. Nevertheless, realists are now aware that widespread unemployment is likely to be constant, in spite of what may happen to business conditions generally.

Discussion of relief of unemployment inevitably centred on the report of the Royal Commission on Unemployment which was published on Nov. 7. The government promised legislation embodying its recommendations in the light of Parliamentary criticism in the Spring. Apart from the Labor members' minority report, which found the majority proposals "fundamentally unsound," the commission made some far-reaching proposals.

It is thought that the whole apparatus must be consolidated under one act and that administration must be handed over to an independent commission. In the light of a chronic average of 13 per cent unemployment, it recommended that insurance, relief and poor-law aid be separated. Thus the insured worker would be entitled to unemployment payments from a solvent insurance fund for from 13 to 39 weeks in one year according to premiums paid and benefits drawn during the past five years. If his insurance benefit should run out, he and, it was suggested, all able-bodied but uninsured unemployed with some special occupational exceptions should be eligible for relief dispensed by local public assistance committees. The funds for this would come chiefly from the exchequer and would be dispensed in amounts lower than wages and determined in relation to means. Uniformity would be secured by the direction of the central authority. The poor-law relief, largely financed locally, would be for the benefit of those not able-bodied or those whose unsatisfactory behavior made discipline necessary.

Negligible changes in payments

and benefits were recommended. There should be annual revision of finances and amortization of the existing insurance fund debt. It was calculated that with a register of 3,000,000 unemployed the new scheme would cost the exchequer £81,670,000 annually instead of the present £84,600,000. The commission devoted a great deal of attention also to schemes for the training and occupation of the unemployed.

The debates made it clear that the government had definitely abandoned public works as a cure, both because of general budgetary considerations and of the great cost under this method of keeping a single man at work. The Conservative thesis, with which Mr. MacDonald identified himself, was that only improvement in the national economy could diminish unemployment. Inasmuch as the present domestic tariff and Ottawa imperial agreements represent a completed commercial and industrial program, attention was naturally diverted to domestic agriculture, which was in a disastrous condition because of the decline in meat prices. Relations with the dominions and foreign countries regarding meat importations were already very delicate, but under pressure from its own back-benchers and rural members the government negotiated with the exporting countries for a series of voluntary reductions by approximately 20 per cent for November and December at least.

STERLING AND THE WAR DEBTS

Although the international aspects of the present crisis in British debt payments to the United States (see pages 453-456 of this issue) were of the first importance, the domestic situation which developed during November had far-reaching effects. At the beginning of the month the pound stood at $3.30; it rose by 4 cents when the British Government, immediately after the Presidential election, asked for a postponement of the Dec. 15 payment and reconsideration of the settlement, and it fell steadily when it became apparent that Congress would insist on that payment. By Nov. 29 it had broken through its record low of Feb. 4, 1920, to touch $3.14½ and recover to $3.15⅝. Only a settlement of the financial relations of the United Kingdom and the United States seemed capable of arresting the decline.

The British regarded the situation as a confidence crisis and were inclined to emphasize the fact that, since half the world had its currencies linked to sterling, decline in their purchasing power must be reflected in a decline in gold commodity prices. The falling prices of cotton, wheat, silver and copper in the United States bore out this prediction. From the British domestic point of view the effects were at least as serious. The $95,500,000 due on Dec. 15 could be paid in gold, but this would require one-seventh of a gold reserve which is already too slender. The purchase of dollars would have the same effect of making the pound vulnerable to the attacks of speculators and thereby aggravating the situation. The real obstacle to security in making the payment now was, of course, the decline in international trade. As *The Economist* (London) pointed out, the United Kingdom is committed to paying to the United States every year four times the amount of her exports to the United States. The British taxpayer saw the situation in the terms given him by the Chancellor of the Exchequer on Nov. 25. The payment would raise his income tax from 25 per cent to 30 per cent.

This delicate situation was handled with remarkable propriety by Parliament and the nation, although the Rothermere and Beaverbrook press exploited it somewhat for domestic political purposes. The government did not ask for cancellation and admitted that it could pay, but in its second note rehearsed the bad affects on the world as well as Great Britain which

it thought must accompany the transfer.

Naturally there were domestic repercussions. A supplementary budget had to be envisaged, and the continued decline of the pound set up strains and counter-strains in the delicate economic structure which had been built up during the past year. Export trade was stimulated, for instance, while purchasing power diminished at the season of greatest annual purchases. Surprisingly enough, although sterling declined by 3 per cent in three weeks before Nov. 25, the wholesale price index rose only from 62.5 to 63.1. The exchange equalization fund, of which so much had been expected, was too small to cope with international pressure in anticipation of further decline in the pound. In all, the effects of the crisis were beyond the normal relation to the amounts involved, because of the delicacy of the British credit position, the size of the sterling area, the accompanying collapse of gold commodity prices and the present strangulation of international trade.

The trade figures for October were encouraging for, contrary to much of the rest of the world, British export trade was almost holding its own as compared with 1931 and imports continued to be reduced. The figures, with those for 1931 in parentheses, were as follows: Exports £34,130,000 (£38,109,000), imports £60,820,000 (£80,685,000), adverse balance £26,-690,000 (£42,576,000). The adverse balance for the first 10 months was £236,769,000 (£323,221,000). The index of industrial activity for the third quarter declined by only 2.2 per cent from 1931.

THE ANGLO-IRISH DISPUTE

Neither the Anglo-Irish struggle nor the domestic disagreements in the Irish Free State have changed in character, and President de Valera was able, with Labor support in the Dail, to defeat a motion of censure on his policies by 75 to 70 on Nov. 15. In connection with its efforts to protect the British farmer against further decline in farm prices the British Government raised the duty on Irish live cattle from 20 to 40 per cent and on poultry, pork and dairy products from 20 to 30 per cent. The Free State Government responded by increasing its export bounties, but these could not be large enough to save the Irish farmer from almost disastrous consequences. On the other hand, de Valera is now funding the disputed land annuities so as to use part of the proceeds for relief during the transition to economic self-sufficiency.

In reply to a speech by de Valera in which he said that "what is involved is whether or not the Irish nation is going to be free," and "so long as this government is concerned the land annuities will never be paid," J. H. Thomas said that if the Irish Free State would admit its legal obligation in the matter of the annuities, the United Kingdom was not only still willing to arbitrate but, contrary to de Valera's assertion, was ready immediately to open up to the Irish Free State the advantages of the Ottawa agreements as made with other dominions.

Donald Buckley on Nov. 26 took the oath as Governor General in succession to James McNeill. He is a modest, obscure, retired country shopkeeper who took part in the 1916 rebellion and was a Sinn Feiner and member of the Irish Republican Army. He has been a personal friend of President de Valera. It was reported that he would not live in the Viceregal Lodge or go to London to kiss the King's hands as becoming his viceroy, but would dispense with as much ceremony as possible in the interests of economy and of de Valera's anxiety to minimize the importance of the office.

The Prince of Wales went to Northern Ireland on Nov. 16 to open the Parliament Buildings at Belfast, which symbolize the determination of

Ulster to remain separate from the Irish Free State. Complaints were made by Ulster Nationalists and by the Republicans of the Free State that the Prince's visit would serve to aggravate an unfortunate and unnatural division. Some sporadic disturbances did not interfere with the reception which the Ulster Loyalists gave the Prince.

CANADIAN CONDITIONS

Measured by the contrast between the decline of the Canadian dollar and the improvement in Canadian trade, November was a perplexing month. The Dominion Government made the experiment in October of licensing the export of only about $500,000 in gold to the United States in place of the $5,668,000 of October, 1931, apparently relying on Canada's capture of the North American export market in wheat and a continued favorable trade balance. The dollar fell by a little over 1 cent to 90.68 cents. Then, early in November, Prime Minister Bennett embarked on what he described as "easing of money and credit" by borrowing $35,000,000 from the banks in two-year notes at 4 per cent and instructing the banks to deposit the notes against the issue of an equal amount of bank-notes. While this procedure was merely the Canadian equivalent of American and British "easy money" practice, it coincided in time with the decline of the pound sterling. Now that Anglo-Canadian trade is expanding and Canadian-American trade declining, movements of the pound affect the Canadian dollar in New York. It fell to 84 cents on Nov. 28 and rose to 84.12 next day. Mr. Bennett announced on Nov. 23 that the legal gold coverage had been and would be maintained, and the government defeated several inflation proposals in the Dominion House of Commons. During November Canada exported $5,192,800 in gold to the United States.

Meanwhile, Canada had enjoyed the experience almost unique in the world of having her October exports exceed those of the previous year in spite of the decline in commodity prices. The trade figures and their direction, with the 1931 figures in parentheses, were as follows: Exports $56,626,000 ($55,538,000), to the United Kingdom $26,886,000 ($20,355,000), to the United States $13,383,000 ($20,056,000), imports $37,095,000 ($45,933,000), from the United Kingdom $8,278,000 ($8,294,000), from the United States $20,626,000 ($26,566,000).

The effects of the Ottawa agreements were apparent in accentuating the now established diversion of trade from the United States in favor of Great Britain. Agreement was reached to enable Canadian grain to enjoy British preference if consigned to the United Kingdom through the United States, but not if re-consigned in the United States. Because North American grain movements and storage form an intermittent process which normally completely breaks the link between producer and European consignee several times, that decision meant a severe dislocation of the customary Canadian grain movements through American Atlantic ports during the Winter. Storage and transportation interests in the United States, already hard hit by the drying-up of domestic grain exports, are seriously affected. Although the Canadian shipper between early December and mid-April has to pay for the longer haul to St. John and Halifax, Canadian railways and ports profit. The Cunard Line transferred four passenger-freight vessels from New York to Canadian ports for the Winter to take advantage of the increased trade.

Trade and industry seemed to be holding their late Summer gains against the usual seasonal decline. Wheat prices remained fairly steady in Canadian funds, but of course fell with the Canadian dollar in terms of gold. The paper manufacturers and bankers continued their efforts to

reach a pooling agreement on tonnage, but no success was announced. Employment was better than in 1931, with probably 500,000 unemployed. The Dominion Government and the Provinces were cooperating in a mixed program of direct relief and public works. A selective process of assisted settlement has established substantial numbers on farms. Work camps have been set up for the trans-Canada highway, for repair of the Quebec and Halifax citadels and for the building of airports. Municipalities and private organizations are assisting in the effort to furnish security to all unemployed Canadians.

The domestic Dominion loan floated on Nov. 1 met with a disappointing response because its terms for the long-term issue were a little too close to the open-money market. The short-term issue of $25,000,000 was taken up rapidly, but by Nov. 25 the twenty-year issue had barely passed the minimum of $55,000,000, whereas it had been hoped that it would attract $80,000,000 in subscriptions.

THE INDIAN PROBLEM

What it was hoped would be the last preliminary conference before the new Constitution for India is drawn up met in London on Nov. 17. Liberals and friends of Indian nationalist aspirations were entitled to be doubtful of its labors. Its function was described as "consultative," and it was not really representative. The number of members, forty-three, was less than half what it had been at the two previous conferences. There were ten British Parliamentary representatives, eleven appointees for the Native States and twenty-two for British India. There were no representatives of the Indian National Congress and only one, rather remotely speaking, for the Sikhs, while the proportion of ten Moslems to eighteen Hindus was not only out of proportion to the Moslem population but seemed to confirm the suspicion that the British Conservatives have found the Moslems to be congenial and useful curbs on the Congress Hindus. The British Labor party representatives refused to serve in protest against the restricted agenda of the conference. Some of the other Parliamentary representatives were notable and experienced, but conservatism was not equally balanced by friendly liberal opinion such as that voiced by Lord Irwin and the Marquess of Lothian.

Burma had no representative, because it had been assumed that the Burmese would form a separate autonomous State. This assumption was surprisingly upset by the Burmese general election of Nov. 8, which resulted in a victory for the anti-separationists. Up to the day of election the opposite result had been expected, but Indian money had been supplied generously to assist the anti-separationists. The British Government did not indicate what its future Burmese policy would be, but it was believed that room must be found for Burma in the new Indian federation. The anti-separationists subsequently refused to form a government, and Dr. B. A. Maw, their leader, explained that they regarded the election as a verdict against separation on the basis of the Constitution offered by Great Britain to Burma. They would work for full responsible government for a separate Burma and enter the Indian federation only on terms permitting Burma to secede whenever she wished.

Negotiations between Hindus and Moslems in India continued in the hope of reaching accord on the communal question. Alternating reports of success and failure during November left the situation obscure except that the majority of the Moslems were supporting the British award. The London committee also wrestled with the problem in terms of the British Government's own settlement, as amended after Gandhi's fast on behalf of the Untouchables, and the Lothian franchise plan. The vexed matter of British financial safeguards also was discussed.

The Perplexities of French Politics

By OTHON G. GUERLAC
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SCARCELY does M. Herriot triumph over one obstacle before others present themselves to impede his progress and tax his ingenuity and his indefatigable industry. Whether he will be able to handle the debt question to the satisfaction of his majority remains doubtful. That he has behind him for his general policy the good-will of his own party, however, cannot be doubted after the success of the twenty-ninth annual convention of the Radical-Socialists, which took place at Toulouse from Nov. 3 to Nov. 6. This meeting had a double significance. For the first time in twenty years a convention coincided with the party's control of the government. For M. Herriot, who was returning from his visit to Spain, it provided an opportunity to come into close contact with his supporters and to test their loyalty.

The circumstances were especially auspicious. Toulouse is probably the French city best suited for a meeting of the Radical-Socialist party. It has strong support from the citizens of that region who, for many years, have been trained in radical orthodoxy by an important paper, *La Depêche,* whose owner, Senator Maurice Sarraut, brother of the Minister of Colonies, is among the most prominent leaders of the party. About 2,000 delegates were present; numerous members of Parliament, including most of the Cabinet Ministers, who are all regular party members, and many former Ministers like Caillaux and Steeg.

The convention listened to reports on the great problems of the hour —economics, finance, foreign affairs, disarmament. Each report, presented by a specialist, was afterward discussed in what were often very animated and in some cases stormy debates, even if the general spirit was one of harmony. The most sensational incident occurred in the first session when two of the younger members of the party, who because of their extremist tendencies have been dubbed "the Young Turks," attacked with great vigor some policies of the Premier. M. Kayser stressed the necessity of a more aggressive policy in domestic politics, advocating closer ties with the Socialists, while M. Bergery drew up a sharp and bitter arraignment, that was violently resented by the majority, of the whole scheme of French foreign policies, which he accused of a lack of boldness and generosity. These attacks gave M. Herriot an opportunity to defend his policy, which he did with a warmth and an eloquence that carried the assembly off its feet and routed the small group of "Young Turks." Every intervention of the Premier—and he made several—became a personal triumph.

When the convention adjourned, after presenting its program, which called for stringent financial reductions, lower pensions for veterans, reduced salaries for State officials and a strict adherence to the policy of disarmament and peace presented at Geneva, the general impression was that never had the party been more united and better disciplined. This discipline and unity are the result of M. Herriot's strong leadership of his followers. In the final banquet, when the Premier's speech was once more acclaimed, René Renoult, the Minister of Justice, summed up the

result of the convention when he said: "It has been a continuous ovation for M. Edouard Herriot. The party has united around its best representative, the powerful *animateur* of democracy."

The problem raised by the extreme Left of what policy is to be observed toward the Socialists remains an open one. A large section is in favor of an alliance with all the Left elements, barring the Socialists, while the Bergery group is in favor of the old formula of the cartel. In this connection M. Léon Blum, the Socialist leader, in an important speech at Narbonne on Nov. 10, stated bluntly that the support given the Ministry so far would cease the day M. Herriot might deceive the high expectations that he had raised for peace and justice. In that case, he added, the Socialist party would not fail to do its duty, which means that they would be willing to take charge of the government. Whether the offer would be made to them and whether a minority party of 130 members could rule in a Chamber of 614 is another question to which the answer does not seem very clear.

On Nov. 15 the government presented to the Chamber the projected budget for 1933 over which the Minister of Finances, Germain-Martin, had been working during the past months in an attempt to solve the well-nigh impossible problem of meeting a final deficit of about $320,000,000 without new taxes and without asking too large sacrifices in salary from State officials. The project offers two interesting features: for the first time in twenty-eight years the total asked for is below that of the previous year; in the second place, there is a slight surplus of $880,000.

To balance the budget after $160,000,000 had been found to meet the original deficit of $480,000,000 the Ministers had to have recourse to the much-discussed cuts in salaries and pensions, to the raising of taxes on certain items, such as apéritifs, an additional tariff on coffee, increase in the yield of the income tax by drastic elimination of fraud and new methods of declaration of income, and, finally, loans of more than $80,000,000. In reducing salaries the government showed that it had heeded the protests of the associations of civil servants, for it exempted all salaries under $480, beginning at 2 per cent in the lower brackets and never exceeding 10 per cent. To obtain the relatively gratifying result of a favorable balance certain large items of expenditure had to be taken out of the budget. This was the case for the war pensions, which were made a charge on a special fund known as the "Caisse des pensions," which, theoretically at least, is a diminishing charge and will be spread over a long period of years.

This budget will undoubtedly be submitted to the searching criticism of the Chamber, and a long debate may be anticipated, during which there may be many changes in the original project, if one may judge the action of the new Chamber by that of its predecessors. It is more than likely that the government may have to resort next January to the old system of monthly provisional budgets.

The plan for great public works to relieve unemployment and combat the business depression which had been announced two years ago by M. Tardieu, launched by him and then taken up by the present government was described on Nov. 10 in an official statement. It calls for the expenditure of $280,073,300 in 1933 and 1934 in two equal instalments. The money will be spent for such purposes as extension of electrical equipment, school construction and road building. More than $120,000,000 will be used to carry on work already started on roads, ports and canals. It is planned to issue a public loan amounting to $140,000,000 for 1933.

The decline of French revenue has continued at a steady rate. For the

month of October the fiscal receipts were 21⅜ per cent below those of the same month in 1931. The budget deficit, which has been slowly increasing since the beginning of 1932, reached the high point in October of $30,000,000. This is the record figure attained since the stabilization of the franc. Hoarding seems to have no end in France. During the week ended Nov. 18 the Bank of France's private current accounts rose $55,000,000 and reached a high peak of $860,000,000. The gold stock also increased to $3,267,000,000.

At the very moment when the government announced, as part of its fiscal rehabilitation program, a vigorous campaign against tax evasion a new scandal, dealing this time with tax frauds in high social and political circles, broke out in Paris and was, as is customary, aired at the Palais Bourbon. On Oct. 25 agents of the Finance Ministry discovered that a Parisian branch of a Swiss bank with headquarters in Basle made a practice of paying to its depositors their coupons and revenues on foreign investments without any deduction for taxation either in France or in Switzerland.

The government lodged a charge against the bank, seized its papers, and found among these a list of 2,000 customers who have benefited by this illegal method of evasion. M. Albertin, Socialist Deputy of Bouches-du-Rhone, who received this list from unknown sources, interpellated the government on the whole matter and in the course of the debate mentioned, at the request of the Chamber, some of the names appearing on the lists. Among these were three Senators, one high army official, one newspaper owner and one or two Bishops. The three Senators included a representative of the same Department as the Deputy who made the interpellation, M. Abraham Schrameck, a former prefect and, for a brief period, Minister of the Interior, and two representatives of Belfort and of Alsace, M. Viellard and M. Jourdain, the last a former Minister of Pensions. Among other well-known people were M. Lapène, one of the editors of *Le Matin;* two great industrialists, the brothers Peugeot, and the wife of the wealthy perfumer and newspaper owner, M. Coty. A Deputy of the Right excused the Bishops by stating that they were acting as trustees for a charity fund. Many resented the fact that the Socialist Deputy revealed only names of people belonging to hostile parties, and it was noticed that *Populaire,* the Socialist organ which was to publish the list, failed to do so.

This scandal, following the one of the Aeropostale, was naturally relished by the Socialists, who have often complained of tax evasions by the privileged classes. The government accepted the motion of the interpellating Deputy and promised to prosecute with the utmost severity these frauds, which a recent law punishes with both fines and imprisonment. It was stated during the debate, on the authority of an official of the Ministry of Finances, that the State has lost through such schemes as much as $160,000,000 a year. In a statement published by the Swiss bank exonerating itself from all criminal intent this figure was declared to be much too high, and the losses of the State were said to be, in this case, negligible.

The scandal of the Aeropostale Company, the French organization which conducts an air-mail service to South America, continued to fill political gossip during November and came up before Parliament, where the Socialists were anxious to exploit the facts of maladministration and corruption that had been revealed. After the arrest of the forger responsible for the false documents, which accused two officials of plotting with foreign interests against the Aeropostale, the director of the company, André Bouilloux-Lafont, who had at first been considered as only

a victim of the plotters, was arrested on Nov. 23. As he was the head of a company which received a large appropriation from the State, and a close relative of a former Vice President of the Chamber of Deputies, the arrest created a sensation. The whole matter was aired before the Chamber on Nov. 24. Former Premier Paul Painlevé, Minister of Aviation, who is given credit for having discovered the fraudulent character of the papers that were being quietly peddled around the Ministries with charges against the two victims of the plot, Chaumié and Weiller, made an impassioned defense of his subordinates, and told what he had done to clear up the atmosphere of scandal in the department of which he is the head.

A statue to Georges Clemenceau which has been standing since last May in the Champs Elysées near the Petit Palais was officially dedicated on Nov. 24 in the presence of President Lebrun, Premier Herriot, other members of the government and State and municipal officials. The ceremony had been postponed until the end of the period of mourning for President Doumer. Only Madame Albert Clemenceau, widow of the war Premier's brother, represented the family at the ceremonies. Clemenceau's children, who have protested that both the monument and its position are unworthy of him, refused to attend. War veterans bearing the flags of their regiments stood around the statue during addresses by M. Fontenay, President of the Municipal Council, and Georges Leygues, Minister of Marine and former member of the Clemenceau Cabinet. The bronze statue, the work of Francis Cogne, which was unveiled unofficially last May, represents the war Premier attired for a visit to the trenches.

THE BELGIAN ELECTIONS

The general elections in Belgium, made necessary by the dissolution of Parliament on Oct. 25, were held on Nov. 27. The entire membership of the House was affected. In general, the voting was quiet, although rioting occurred between Catholics and Socialists in Antwerp and there were a few clashes of a less serious nature at Eupen and other points.

The results as a whole confirmed those of the October municipal elections. There was a slight falling off of Liberal support and the party lost four seats; the Socialists and the Catholics appeared to be the winners. The Socialists undoubtedly won many votes because of their anti-war platform. The Frontist party, which represents the extreme Flemish element that advocates the separation of Flanders and Walloonia, lost three seats to the Catholics. The Communists, benefiting like the Socialists from the economic situation which has increased the cost of living, gained three seats. Nevertheless, the balance of power in the Belgium Parliament remains unchanged.

The election leaves the strength of the Catholic-Liberal coalition, which has been ruling Belgium, undisturbed in the Chamber of Deputies. It still has 103 votes against 84 for the Opposition. The Liberals, however, are divided on the question of remaining in the coalition, and the resignation of the Broqueville Cabinet is predicted. M. Hymans, Minister of Foreign Affairs, whose fate was uncertain at first, was re-elected and he was able to go to Geneva to resume the presidency of the committee of nineteen which deals with the dispute over Manchuria.

As Belgium has been seriously affected by the American tariffs, the Ottawa agreements and the French quotas in her export of manufactured and luxury articles, a department has been created in the Foreign Office in Brussels to deal with the subject of bartering goods and bringing about the recovery of payments by balancing one account against another in non-paying countries.

Germany's Cabinet Crisis

By SIDNEY B. FAY
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THE sixteen-day Cabinet crisis in Germany came to an end on Dec. 2, when President von Hindenburg appointed Lieut. Gen. Kurt von Schleicher as Chancellor to succeed Lieut. Col. Franz von Papen. The powers entrusted to von Schleicher are much wider than those of his predecessor, since he retains the Defense Portfolio, which he held under von Papen, and in addition is to take over the post of Reich Commissioner, amounting almost to dictatorship, of Prussia. While the change appears at the outset to be only a reconstitution of the last Cabinet without von Papen, it is significant for its greater centralization of authority in the hands of the Chancellor.

For ten days following the indecisive Reichstag election of Nov. 6, Chancellor von Papen conferred with the heads of the various political parties, in accordance with President von Hindenburg's wish, in the hope of finding support for his policy of a "Cabinet of national concentration" and for a program of economic and constitutional reform. If von Papen failed, the President was threatened by either a union of the Reichstag parties to oust the Cabinet, or—to avert this—another dissolution of the Reichstag at its meeting on Dec. 6, or even before it convened. This latter solution would naturally be opposed by all the liberal elements, in fact by nearly all parties, as being a perpetuation of the virtual dictatorial power which President von Hindenburg has been forced to use under cover of the famous emergency Article 48 of the Weimar Constitution. (For another view of German conditions, see Baron von Kuehlmann's article on page 393 of this issue.)

But von Papen soon found that he had a hopeless task in trying to rally the parliamentary leaders to some kind of toleration and support. His offer of "open arms" was no more alluring than would be the proffered embrace of a bear or a boa-constrictor. The leaders of the Centrist and Bavarian People's parties, with whom he talked first, would not hear of supporting a Cabinet headed by von Papen. Apart from his program and his extensive use of Article 48, von Papen is regarded with great personal hostility because of his part in overthrowing Bruening. Moreover, he is accused of a breach of good faith, since his Cabinet was formed last June without the consultation with the Centre party which he is said to have promised. This personal bitterness has been increased by the fact that von Papen, since his exclusion from the Centrist party, has been allying himself with the Protestant aristocrats of Prussia in an attempt to maintain the so-called "Presidential Cabinet."

The leaders of the Social Democratic party, the second largest group in the Reichstag, absolutely rejected von Papen's invitation to a conference, declaring that "the Chancellor's behavior throughout makes him impossible to deal with." They resent his economic measures, which have reduced workingmen's unemployment relief funds and have tended to cut wages, as well as his appointment of commissioners to rule Prussia in place of the former Prussian State officials.

The National Socialist organs, as usual, demanded that now at last the Chancellorship should be handed over to their idol, Adolf Hitler, as the leader of the largest party in the Reichstag, even though the November elections resulted in a drop in the Nazi representation from 230 seats to 195, corresponding to a falling off in the Hitlerite popular vote of about 2,000,000.

In view of the attitude of the three most important Reichstag groups, von Papen decided on Nov. 17 to resign his office, thus eliminating his own person, to which there was so much objection. The rest of the Cabinet resigned with him. President von Hindenburg accepted the resignations, but asked the Ministers to continue their functions until a new Cabinet could be formed.

President von Hindenburg then opened conversations with the Reichstag party leaders to see what possibility there was of forming some kind of a coalition Cabinet which would have the support of a working majority and make possible a return to regular parliamentary government, in place of the von Papen "Presidential Cabinet," functioning by emergency decrees in defiance of the legislature. After consulting Dr. Hugenberg (Nationalist), Dr. Ludwig Kaas (Centrist), and Dr. Dingeldey (People's party), President von Hindenburg sent for Adolf Hitler. Their meeting was far different from that on Aug. 13, when Hitler's demand for the Chancellorship—all or nothing—had been quickly and coolly rejected. On Nov. 19 the two men were closeted for more than an hour. Hitler was invited to consult the leaders of the other parties to see what he could do toward forming a parliamentary Cabinet on a basis of national concentration such as President von Hindenburg wanted to bring about. Hitler accepted the commission, but quickly found that the intensity of party feeling and the personal distrust and opposition felt toward him by many of the other political leaders made it difficult for him to bring together a coalition government which could command the support of a majority of the Reichstag.

Hitler therefore reported his difficulties to President von Hindenburg and urged that he be made Chancellor of a Presidential Cabinet that might govern in defiance of the Reichstag through the aid of Article 48. The President then laid down, it is reported, certain conditions to which Hitler must agree if he should become Chancellor and form a cabinet: (1) No change in the conduct of the Reichswehr Ministry, in order not to impair the continuity of the national defense policy; (2) no change in the conduct of the Foreign Office, so as not to disturb pending international negotiations; (3) continuation of the program of economic revival begun by the von Papen Cabinet, and therefore no abrogation of the emergency decrees on economic and social service matters; (4) avoidance of currency experiments that might strain the Reich's economic system; (5) no change in the administration of Prussia by federal commissioners; (6) legislation by the Reichstag majority in a normal constitutional way and no longer by emergency decree under Article 48; (7) no restriction of the President's powers, especially no legislative attempt to limit his emergency powers under Article 48.

Again Hitler consulted the parliamentary leaders and the members of his own party. Apparently there was some difference of opinion within his own ranks whether it would be wise for him to accept the conditions and take office and power for the sake of the prestige and influence it might be able to bring ultimately to the National Socialist cause. Men like Dr. Schacht, the former President of the Reichsbank, though not a member of the Nazi Party, are believed to have urged this course.

After three days of hesitation and

consultation, Hitler informed President von Hindenburg that he could not form a Cabinet under the conditions laid down. From his headquarters at the Hotel Kaiserhof he issued a communiqué that "a parliamentary solution of the government crisis is inherently incapable of execution in view of the reservations made by President von Hindenburg." He added: "In view of the Fatherland's desolate situation, the ever-rising tide of distress and the duty of every German to do his utmost lest the people of the Reich sink into chaos, Herr Hitler has submitted to the President a clearly framed proposal by means of which the crisis can be solved in the shortest time."

Precisely what the Hitler proposal was is not clear, but at any rate it was at once rejected by the President. He thanked the Nazi leader for his efforts, but declared that "he could not justify himself to the German people if he gave his Presidential authority to the leader of a party that has ever and again emphasized its exclusiveness and that has generally taken an attitude of opposition to him personally as well as to the political and economic measures deemed needful by him. In these circumstances the President must apprehend that a Presidential Cabinet headed by you would perforce develop into a party dictatorship with consequent extreme intensification of the divisions within the German nation. The President could not square bringing about such consequences with his oath and his conscience."

Thus President von Hindenburg—and indirectly von Papen—scored a tactical victory over Hitler. The Nazi leader had been offered the opportunity to see what he could do to bring the crisis to an end by a return to normal parliamentary government, and had failed to find the necessary support. Thereupon his "proposal," presumably for a Cabinet with virtually dictatorial power for himself, had been rejected.

President von Hindenburg's next step was to ask General von Schleicher to confer with party leaders in the hope of finding some combination to support a national concentration administration. Meanwhile, the von Papen Cabinet, as an interim body, continued to govern the country.

AUSTRIA'S PLIGHT

Austrian trade has continued to decline at an alarming rate. Returns for September showed the lowest figures on record. Imports totaled 68,000,000 schillings ($9,400,000), 41 per cent below even the small figures of 1931, while exports were valued at 57,000,000 (less than $8,000,000), 46 per cent lower than in 1931. During the first nine months of 1932, the decrease from 1931 amounted to 34 per cent in imports, and 43 per cent in exports. By November the number of unemployed in Austria had risen to 410,000, which is 100,000 more than at the same time in 1931. When it was announced that recruiting for the Austrian army would reopen on Nov. 16, many thousands assembled at the recruiting depots before daylight, although the army pay was recently decreased. The advent of Winter and unemployment, rather than the martial spirit, was the cause of the rush. As in Germany, recruits are required to sign for twelve years' service.

Austria finally reached an agreement at the end of November with the foreign creditors of the Credit-anstalt. Seven yearly payments of nearly $3,000,000 were substituted for Austria's former nearly bottomless liability for the debts of the institution. Some other banks are beginning to show signs of weakness, and it seems probable that complaints of preferred treatment given to the Credit-anstalt may be answered by a fusion of some of these banks with the old Rothschild institution.

A recent decree ordered that all purchases of foreign currencies in Austria must be effected by private clearing through the Vienna Giro-und-

Kassenverein. This means that foreign money for payments of goods and debts abroad, as well as for traveling and other private purposes, can be obtained only in the private market at a premium of about 22 per cent above par. This does not include, however, public loans falling under the transfer moratorium, for which interest and sinking fund are to be paid at the official rate of exchange.

SWISS RIOTS

Twelve persons—eleven civilians and one soldier—were killed and forty-five wounded at Geneva on Nov. 9 as a result of a clash between Socialists and troops. Socialist demonstrators sought to break up an anti-Socialist meeting at Community Hall in the southern part of the city. In anticipation of trouble, 600 soldiers had been brought to Geneva from Lausanne. Trouble began when Socialist sympathizers hissed the soldiers for brandishing arms in the streets of the "disarmament city," and tried to snatch the rifles from the militiamen. The troops suddenly opened with machine guns on the crowd, which at first thought only blank cartridges were being used, but which soon scattered as men began to fall. The youthfulness and inexperience of the young recruits called in from Lausanne were probably partly to blame for the tragic occurrence—the first bloodshed of the kind for many years in this city which has been a refuge for political exiles.

In order to preserve order during the funerals of the unfortunate victims, when a twenty-four-hour sympathetic strike was called by the trade unions of Geneva, the State Council mobilized 3,000 of its best militia to replace the troops which did the firing and which were sent back to Lausanne. As a result the strike and the funerals took place without any further untoward incidents, and Geneva settled down again to its usual good order.

Germany and Switzerland signed a most-favored-nation commercial treaty which became provisionally effective in mid-November. Germany granted lower conventional import duties on chocolate, laces, wearing apparel, stoves and watches, in exchange for increases in the Swiss import quotas for certain German goods.

The Strength of Italian Fascism

By WILLIAM E. LINGELBACH
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FOLLOWING close upon Italy's celebration of the first ten years of Fascist rule came the fourteenth anniversary of Italy's armistice day. Among the ceremonies was the dedication of the Mussolini Forum at Rome and the school of physical culture adjoining it. The elliptical bowl and the seventy large nude statues of young men which decorate the rim are of Carrara marble. At the entrance is the magnificent Mussolini column, a solid shaft of white Carrara rising to a height of 125 feet, with only the name of Mussolini in high relief on the base. The entire group is a remarkable tribute to the man who has done so much to create the new Italy and who has made himself its undisputed ruler. More particularly, it symbolizes the new drift toward athletics and out-of-door life among the young Fascisti.

What stands out conspicuously in

the recent celebrations is the extraordinary popularity of the Duce and the national acceptance of the Fascist régime. Backed by a highly disciplined and the most united party in the world, he wields a power so absolute that it is paralleled only by Stalin's in Russia. On the other hand, the party is closely integrated with the nation, is constantly bringing in new elements and expanding to such a degree that it is only fair to say that Mussolini wields his power under a popular mandate. In the meantime he claims that he is developing a system of democracy that will mark a real advance over the aimless drifting which has characterized it in many countries by injecting into the national life institutions for systematic planning without the class hatred and antagonism of the Communist régime in Russia.

Conscious of the increased security of Fascist rule, the Duce has sponsored a broad amnesty decree, which was approved by the Cabinet, signed by the King at his country home at San Rossore and proclaimed on Nov. 6. In a lengthy introduction Mussolini points out that the clemency shown by fascism toward its enemies was extended also to persons under general prison sentence. Five-year sentences for civil crimes were wiped out entirely; sentences of from five to ten years were shortened by three years, and all sentences for more than ten years had five years remitted if seven years had already been served. Anti-Fascisti, although not mentioned in the decree, were included in a communiqué of the Fascist Grand Council. The official estimates put the number of prisoners affected at between 15,000 and 20,000.

A supplementary decree issued by Mussolini on Nov. 16 pardoned leading political prisoners and persons in exile for political reasons. Among those affected were Professor Salvemini, now visiting lecturer in history at Yale University and formerly Professor of Modern History at the University of Florence; Vincenzo Vacirca, former editor of *Il Nuevo Mondo,* twice a Deputy to the Italian Parliament and at one time a reporter on Mussolini's paper *Avanti;* Massimo Rocca and Cesare Rossi, both among the founders of the Fascist party. The latter was at one time the head of the Fascist press organization, but fled from Italy after the Matteoti murder. On his return he was seized and sentenced to thirty years' imprisonment. Others mentioned in the dispatches are Benedetto Fascesclo, Mussolini's former secretary; Francesco Cicotte Scozzese, Alceste de Ambris and Giuseppe Donate. The Italian labor daily, *La Stampa Libera,* and the anti-Fascist committee in the United States have announced plans for a nation-wide campaign to draw attention to what the anti-Fascists regard as a mere bluff, "a fake amnesty." But whatever may be the true interpretation of Mussolini's policy and actions in the matter of amnesty, it is evident that the nation is responding more and more to his leadership.

After the enthusiasm and the excitement of the anniversaries, Italians have again settled down to the grim task of combating the economic depression which holds their nation in its grip. Italian economic and social life, however, is relatively less dislocated than is that of many other countries, and it shows many people believe, clear signs of improvement. Savings bank deposits have steadily increased, money has been easy and interest rates are low. Gold reserves and foreign currencies have risen till the former alone amount to 42 per cent of the money in circulation. Four years ago the government inaugurated a movement to stimulate saving. Special legislation in favor of savings banks and the safeguarding of their deposits was enacted. The results, as revealed in a review of the situation on the anniversary of "Thrift Day," are surprisingly gratifying. From a 1928 total of 14,968,-

000,000 lire (at par the lira is worth 5.2632 cents) in the ordinary savings and in postal savings branches, deposits rose to 30,827,000,000 lire, a gain of over 15,000,000,000 lire, by the end of August, 1932. Making liberal allowance for the fact that some of the increase was due to the withdrawals of a little over 5,000,000,000 from the joint stock banks, the showing is remarkable.

Both wholesale and retail prices declined during November. During the first week the index number stood at 79, a decline of 7 points from 86 in January, 1932, and an average of 92 in 1931 and 134 in 1928. The trade balance continues favorable. For the first months of 1932 the trade deficit was 1,319,000,000 lire, as against 1,580,000,000 lire for the same period in 1931 and 3,651,000,000 lire in 1930. The gain, unfortunately, consists of drastic cuts in imports rather than in an increase in exports. As in most countries, the total movement of trade is downward. Exports of silk, rayon and automobiles all showed heavy declines during November.

The result of the elections in the United States was regarded as a hopeful sign for improved trade relations. Lower tariff rates are expected, with brighter prospects for an American market for Italian wines. On the war debts Mussolini has repeatedly urged an adjustment and endorses fully the stand taken by France and Great Britain. Toward Premier Herriot's Toulouse address, in which he made a strong bid for Italian friendship, Italy has remained cold and even suspicious. In accord with Great Britain, Italy endorsed the German demand for legal equality in the matter of armaments and looks forward to a resumption of the discussions of the subject at the disarmament conference at Geneva. Dino Grandi, Mussolini's popular Minister of Foreign Affairs, has taken up his residence in London as Ambassador to Great Britain. At the same time, he has been made a member of the Grand Council of the Fascist party, along with Giuseppe Bottai and Alfred Rocco, recently appointed rector of the University of Rome.

CATALAN ELECTIONS

The Catalan autonomy question reached its second stage on Nov. 20 with the elections for the Generalidad, the first since 1705. Much more was involved than the success or defeat of the two opposing groups, the Esquerra party of Colonel Francisco Macia, the Provisional President of Catalonia and a strong supporter of autonomy and the Azaña government of Madrid, and the Conservative party led by Señor Cambo, a wealthy financier and landowner. Cambo had the support of the Regional League and of the church, which saw in his success the possibility of a modification of the Socialist régime, both in Barcelona and Madrid. The ultra-radicals—anarchists and syndicalists—favored the reactionary party of Señor Cambo on the theory that a victory by that group would consolidate the parties of the Left and ultimately drive the national government into a more radical program. The wider implications of the elections were discussed in *El Debate*: "Failure in the Catalan Parliament would not only mean the bankruptcy of Macia's Esquerra party and the destruction of Catalan autonomy * * * but indirectly also the failure of the Azaña régime at Madrid."

Feeling during the elections ran high; the Communists in particular threatened to use intimidation and gunman tactics. The authorities promptly met the threat by enrolling extra police and patrolling the city with armored cars and machine guns. The result was an orderly election, in which Colonel Macia scored a brilliant triumph, his party scoring sixty-eight out of the eighty-seven seats of the Generalidad.

The victory of the Esquerra party insured the completion of the autonomy program along the lines mapped

out by Azaña's government in the Catalan statute. The mixed commission consisting of six representatives each of the State and the Catalan Government can now proceed to work out details of the difficult adjustment with better assurance of success.

During November the long-standing conflict between the Socialists and Spain's national constabulary, the Guardia Civil, reached a crisis. An élite body, numbering about 28,000, of whom 5,000 are mounted, it has for many years been a picturesque and effective factor in the enforcement of law. When the present republic was proclaimed, the guards, commanded by the royalist General, Sanjurjo, adopted a negative attitude and refused to support the King, devoting themselves to the task of keeping the disturbances within bounds. They thus became a subject of controversy and attack. Yet the belief is quite general that even now the republic could not survive without the Guardia Civil. Unfortunately, strong royalist sympathies manifested themselves among the members of the guard at the time of the abortive August uprising. Investigation by the government followed and thousands were dismissed.

Extremists and Socialists look upon the guard as a bourgeois-capitalist institution, and the party congress recently voted for its dissolution. Other parties, however, are so convinced of its value and importance to the State that they threaten to precipitate a Ministerial crisis if the Socialists push their resolution in the Cortes. The Azaña régime, which approaches very close to a dictatorship of the moderate Socialists, would have great difficulty in maintaining itself without the strong arm of the Guardia Civil, for which there would be no substitute.

Through its vigorous repression of the Opposition the government has incurred the hostility of many. More than 100 newspapers have been suspended, among them some of the most important, like *La Nacion* (Monarchist) and *A. B. C.* (Catholic). *La Nacion* was freed recently, but *A. B. C.* is still silent. *Informaciones* on Oct. 21 sarcastically remarked that it would be a misfortune if *A. B. C.* were prevented from joining in the general welcome to M. Herriot, the French Premier, to a country where "justice and liberty rule."

The object of M. Herriot's visit to Spain has remained shrouded in mystery. Despite repeated denials from Paris, rumors of an entente between the two republics persist. London has reported an accord somewhat similar to the Anglo-French entente of 1904, with France conceding trade privileges and promising to protect Spanish colonies in return for the free passage of French troops in case of war with a certain power and an air base in the Balearic Islands. Strong support for the belief in an entente appeared in Premier Azaña's statement "that in a future European conflict it might not suit Spain to remain neutral as in the last war, or alternatively that it might not be possible to do so."

In other quarters, however, the benefits of neutrality are vigorously urged and there is much criticism, not only of the rapprochement with France but of Azaña's army policy. Violent demonstrations on the part of students and radicals shouting "Death to Herriot!" and "Down with war!" were with difficulty suppressed by the police.

Spanish support of the French disarmament proposal has been very ably directed by Señor Salvador de Madariaga, who has also succeeded in building up a so-called Little Entente of eight powers pledged to back the scheme at Geneva.

Draft agreements have been signed by the Prime Ministers of France and Spain providing for reciprocal concessions and equal treatment of the workers of both nations in the other's country. The agreements involve equality of salary, compulsory insur-

ance, unemployment and medical assistance. The arrangements are particularly favorable to Spain because there are approximately 200,000 Spaniards working in France and only a few thousand French workers in Spain. Hand in hand with the formulation of regulations concerning aliens in the country, the Spanish Government is placing restrictions on foreign workers and forcing all non-citizens, no matter what their occupation, to secure cards of identity.

As part of the government's policy for the development of the merchant marine, five regular trade lines are to be established on which communications will be maintained on a fixed schedule between Spanish ports and the principal ports of Europe, America and Asia. Orders for the building of a number of new ships have already been issued and others are in preparation.

Of interest to American bankers and investors in foreign securities is the impending action of the Cortes on the bill declaring the contract obtained under the Rivera régime by the Compañia Nacional Telefonica, an affiliate of the International Telephone and Telegraph Company, as illegal. Approximately $100,000,000 of American money is invested in the company. Eleven months ago the government introduced a bill for the reform of the company's contract, but action was postponed until Dec. 3 in order to give the company time to make a formal reply. Recently a request for an extension of time was made, but the petition was denied and on Nov. 24 was the occasion for a bitter attack by the syndicalist Deputy Babontin, who demanded the seizure of the properties. According to well-informed persons, the Azaña government is not at all anxious to cancel the contract, but seeks rather to force a modification of the terms of a one-sided agreement which, according to the Minister of Public Works, was secured through bribery. It is not likely that the Cortes will invite international complications by extreme action.

The Problem of Yugoslav Unity

By FREDERIC A. OGG
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A CABINET crisis in Yugoslavia during the first week of November arose, as on many earlier occasions, from a conflict of political cliques and personalities. On the surface, the incident seemed of small importance since, after several days of manoeuvring, Premier Milan Sershkitch formed a new government which differed but slightly from that which resigned with him on Nov. 3. But there was a deeper significance. King Alexander was known to have been seeking a way to pass from an outworn dictatorial régime to a more democratic system, while the Premier himself had hoped to eliminate a group of Ministers favoring a strong-hand policy and to substitute others willing to cooperate in paving the way for a more liberal order. Failing to meet these objectives, the new Ministry is likely tc prove little more than a stop-gap.

The question of reorganizing the kingdom on a federal basis also became increasingly acute during November. The Croats have long demanded not only constitutionalism and democracy, but virtual autonomy,

so that they may be masters in their own house and free from the domination of Belgrade. In a manifesto issued from Zagreb on Nov. 14, the executive committee of the Peasant Democrat Federation once more attacked the Serbian hegemony, declaring that by its inefficiency and violence it had shattered and exhausted all of the lands north of the Save and Drina Rivers. Ten days later a resolution adopted by a congress of all the parties in the disaffected territory, and calling unreservedly for autonomy, received belated publication in the government press.

The most arresting aspect of the situation, however, is that the federalist idea has spread to other elements in the polyglot kingdom. The Slovenes want autonomy, and likewise the Macedonians. Moreover, among the Serbs the opinion is growing that it will not be practicable to maintain much longer the strictly unitary system so optimistically adopted after the war, and that the sooner a general reconstruction is carried out, on the basis of the old threefold division of Serbia, Croatia and Slovenia, or even with as many as five or six autonomous areas, the better it will be for the country's future. Indeed, an American newspaper correspondent at Belgrade reported recently that he had found the leaders of all of the Serbian parties, except the Radicals, ready to support an all-round federal plan. Some even thought the survival of the monarchy uncertain, but the Croats have given no indication that they would not be satisfied with a liberal monarchy although they say emphatically that they will not even negotiate for the desired reorganization with the existing, or any other, dictatorship.

A government bill laid before the Skupshtina early in November proposed restoration of the communal councils which were abolished with other organs of local self-government in 1929. That the measure was meant, however, to be only a modest and cautious step toward the revival of democracy was indicated by the exclusion from its provisions of sixty-eight of the larger towns and cities.

POLISH BUDGET DIFFICULTIES

After an interval of nearly seven months, the Polish Parliament met on Nov. 3 and was immediately confronted with the task of voting a budget for 1933-34, which showed an estimated deficit of $40,000,000. Finance Minister Zawadski expressed the hope for substantial economies and sought to cover the deficit from cash reserves and improved market conditions, but it was conceded that the task would be difficult unless the support of practically all the Parliamentary parties could be obtained. The Opposition, however, which in former years has suffered from an almost total lack of unity, was prepared to launch a combined assault on the government, with a very fair chance of overthrowing it. On Nov. 15 it was announced that in case Great Britain and France succeeded in obtaining a new war-debt arrangement, Poland also would request revision on the ground that conditions under which the 1924 funding agreement was negotiated have radically changed.

August Zaleski, Foreign Minister since June, 1926, worn out by his long term of office, resigned on Nov. 2. As a member of the Senate, to which he was elected in 1930, he was, however, expected to continue to exert considerable influence on the country's foreign policy. His successor at the Foreign Office, Colonel Joseph Beck, had been Deputy Foreign Minister since December, 1930, and is a confidant of Marshal Pilsudski, under whom he served as Deputy Prime Minister when the Marshal took over the Premiership during the electoral period of 1930.

In commenting on the signing on Nov. 23 of a Polish-Russian conciliation convention, the *Polish Gazette* asserted that the Soviet-Polish non-aggression pact, of which the conciliation convention is a necessary accompaniment, would be ratified at an early

date. A committee of four, representing the Warsaw and Moscow Governments, was to be formed, and to it all disputes relative to the terms of the pact were to be referred for investigation and adjustment. The break-down of the Soviet-Rumanian negotiations for a similar pact was announced by the Rumanian Foreign Minister on Nov. 23, but it was not expected to affect the completion of the Soviet-Polish negotiations.

Since the establishment of the Council of the League of Nations, that body has devoted nearly an eighth of its time to matters relating to Danzig; the session which opened on Nov. 21 promised to be no exception. One difficult question already pending comes from Poland's determination to exclude the Danzig gulden and introduce the Polish zloty for payments on the railroad system of the Free City. Another, which seemed certain to be referred to the same authority, grew out of a decision of the League's High Commissioner to permit the continued importation into Danzig of half finished goods duty-free—a right which, Warsaw authorities assert, is causing Poland to lose control of its own customs barriers.

HUNGARIAN FINANCES

Reporting at the end of October on the financial condition of Hungary for the third quarter of 1932, Royall Tyler, League of Nations Commissioner, indicated that the economic situation had grown worse, that agricultural prices had declined, and industrial prices risen, while the national deficit had increased to such an extent that only drastic budget changes could prevent inflation. A major factor in the decline was shown to be the termination of the commercial treaty with Austria, normally Hungary's principal customer. The banking situation, on the other hand, was represented as somewhat reassuring. On Nov. 24, the semi-official *Pester Lloyd* published a dispatch by its Vienna correspondent asserting that during the Austrian Chancellor's recent visit to Budapest, an Austro-Hungarian-Italian economic agreement was reached whereby each State promised preference to the products of the other two in making purchases abroad. The accuracy of the report, however, was doubted at both the Hungarian and Austrian capitals.

Of considerable importance to Amercan investors was a decree, issued by the Budapest Government on Oct. 31, reducing for a year the interest rate on loans secured by farm mortgages from 7½ and 7 per cent to 5 per cent.

RUMANIAN PROBLEMS

Rumanian peasants have a proverb to the effect that in their country, as in heaven, anything may happen. The cycle of events in late October, ending in the collapse of the Vaida-Voivode Cabinet and the establishment of another National Peasant government, with Dr. Maniu as Premier and the redoubtable Nicholas Titulescu as Foreign Minister, fully bore out the saying. After weathering a succession of storms, the country is now believed to have the strongest government since Bratianu's régime, provided its two strong-willed leaders, Maniu and Titulescu, cooperate.

For the present, the two principal problems are those of accepting control from the League of Nations on financial matters and completing the negotiations with Soviet Russia for a non-aggression pact. The recommendations of the League's financial committee, which pointed to substantial League control of the country's finances, were flatly rejected by the Vaida-Voivode government. Nevertheless, since Dr. Virgil Madgearu, the new Minister of Finance, supports the League committee and since the general presumption, borne out repeatedly by events, is that in a contest of this kind the League holds the whip hand, it is altogether probable that Geneva's conditions will be accepted. Premier Maniu late in November evolved a plan under which the gen-

eral recommendations would be acted upon, but without appointment of League controllers. But there was no reason to believe that this formula would prevail.

As for the Russian non-aggression pact, it will be recalled that M. Titulescu, objecting to the lines on which the negotiations were proceeding, resigned his Ambassadorial and League posts on Sept. 26 only to find himself within two weeks installed as Foreign Minister at Bucharest and charged with starting the negotiations over again under freshly defined limitations. The speech from the throne when Parliament reassembled on Nov. 15 made no mention of the subject, and eight days later the Foreign Minister told the Chamber that the reopened discussions had broken down on the vexed question of Bessarabia. Notwithstanding M. Titulescu's tone of finality, there were those who believed that the project would be kept alive.

BULGARIAN RADICALISM

The fear of radicalism in Bulgaria was greatly intensified by the unexpected victory of the Communists in the Sofia municipal elections of Sept. 25, although the outcome may be easily explained on the ground of the great number of bourgeois parties in the field and the unusual amount of non-voting. But the economic situation is deplorable; agricultural prices are at their lowest and the harvest was poor; while an impoverished people faces one of the hardest Winters on record. Bourgeois government is on the defensive, and friend and foe agree that communism is growing by leaps and bounds.

In the face of this situation, movements are on foot to stay, and if possible avert, disaster. One of them is led by a vigorous society known as Zvéno (the Chain). Formed several years ago and composed of men representing various parties and professions, this organization seeks the cooperation of all bourgeois forces in an effort to fend off communism and lead the country back to stability and prosperity. Conceding that the present government is "anemic" and that Parliament and parties have subordinated the national interests to their own, the leaders, in a challenging declaration of policy issued during the Autumn, called for reorganization and simplification of administration, reduction of the numbers of the bureaucracy, liberation of officials from political pressure, assistance to producers, good relations with Yugoslavia and other neighbors, and a united national front against all disturbing influences, domestic as well as foreign.

Another agency of defense of which much has been heard lately is the League of Reserve Officers, a group which engineered the coup that drove out the peasant dictatorship. Through its president, General Simmanov, this organization has similarly called for a rallying of all forces opposed to communism, and has made statements frankly looking to a dictatorship.

GREEK ROYALIST CABINET

The long impending resignation of the Greek Cabinet headed by Venizelos took place on Oct. 31 and President Zaimis requested the Royalist leader, Panayati Tsaldaris, to form a government. Five days were required to find a new group of Ministers who could work together and even then the task was completed only by M. Tsaldaris's decision to take the portfolio of finance, which no one else would accept. At one time it appeared that the new Cabinet would have no majority in the Chamber, and that its only hope of survival lay in ex-Premier Venizelos's promise to support its proposed legislation as a means of keeping the government going. Eventually it won the support of all the anti-Venizelist parties, which ensured a substantial majority in its own right. Though a Royalist, M. Tsaldaris, on assuming office, assured President Zaimis that for the present he would not question the republican form of government.

Denmark Retains the Socialists

By SIDNEY HERTZBERG

IN these times of sweeping political reversals it is extraordinary to find a radical Ministry that has been in power for almost four years not merely being upheld in a general election but actually increasing its popular vote. The electorate of Denmark indulged in such defiance of the general trend in the elections to the Folketing on Nov. 16 which resulted in a victory for the coalition Cabinet of Premier Theodore A. M. Stauning, which has been in office since April 29, 1929. Despite increasing unemployment, unsettled trade relations and a full measure of all the other woes which the world crisis has wished upon groups in power, the Premier's Social Democratic party won sixty-two seats, a gain of one, and increased its popular vote, according to unofficial but reliable figures, from 593,191 to 660,782. The Radicals, who stand to the right of the Social Democrats and are the other party in the coalition, lost two of their sixteen seats and 6,540 of their 151,746 votes. The Communists, who will probably support the government more often than not, entered the Folketing for the first time, with two seats and a popular vote of 17,172.

The Liberals, the chief Opposition party, were returned with thirty-eight seats, a loss of six, and a popular vote which fell from 402,121 to 381,760. The Conservative party won twenty-seven seats and 289,525 votes, against twenty-three seats and 233,935 votes in the elections of April 24, 1929. The Justice League (single-tax party) increased its vote from 25,810 to 41,215 and its seats from three to four. The Slesvig party held its one seat and polled 9,867 votes, a gain of 80. The National Socialists got 765 votes. The Faroe Islanders were to elect their member on Dec. 12.

Premier Stauning decided to appeal to the voters after the Landsting, on Oct. 27, had rejected the government's foreign exchange bill providing for the extension of exchange control for eighteen months and for the transfer of this control from the semi-independent National Bank to the Ministry of Commerce. The government, anxious for complete control over foreign trade in its negotiations with Great Britain, was scored for making too many concessions to the British without being adequately compensated in return. The favoritism to British imports in the exchange control system, the government's official support of the British Trade Exhibition in Copenhagen, and the special foreign exchange facilities for exhibitors who had made sales were cited as examples. This criticism was intensified when the government temporarily accepted the British proposal, made during the campaign, to cut Danish exports of bacon to Great Britain by 20 per cent. Bacon is one of Denmark's chief export items. All the attacks of the Opposition, however, did not affect the obvious satisfaction of the electorate with the statesmanship of Premier Stauning.

Elections to the Landsting (upper Chamber) on Sept. 7 resulted in a gain of one seat for the Conservatives at the expense of the Radicals. The present position in the Landsting is: Opposition, forty-one seats; government parties, thirty-five seats. During the Folketing elections the Social Democrats, who favor abolition of the upper Chamber, attacked the Lands-

ting as a body "where a privileged system of election has served to retain a reactionary majority against the will of the majority of the Danish people." Landsting electors must be 35 years old—ten years more than is required for voting in Folketing elections. Moreover, nineteen of its seventy-six members are elected by the outgoing Landsting. The members sit for eight years.

Leon Trotsky was a visiting lecturer for the students of Copenhagen on Nov. 27. The stay of the exiled leader of the Red Army was not unaccompanied by demonstrations of hostility by the aristocracy and by Communists faithful to Stalin, who regard Trotsky as a traitor.

ANGLO-SCANDINAVIAN TRADE

Preliminary conversations were begun late in November between the British Board of Trade and delegations representing Sweden, Denmark and Norway for the purpose of adjusting trade agreements to the conditions created by the Ottawa Conference. (See December CURRENT HISTORY, pages 371-372.) While the three nations will deal with Great Britain separately, they will not be oblivious to such interests as they have in common. The general sentiment expressed at a conference of Scandinavian industrialists in Oslo on Oct. 25 was that they should be careful not to permit themselves to be played off against each other. Foreign Minister Munch of Denmark on his arrival in London on Dec. 4 said: "There is no question of a bloc. Naturally, friendly neighbors like the Sandinavian countries are always in communication with each other, and we shall keep each other informed on the progress of the present negotiations."

FINLAND SENTENCES REBELS

The Mantsala rebellion in Finland last March became a closed chapter on Nov. 21, when the Abo High Court found fifty-two of the accused guilty of implication and sentenced them to prison terms of from two to thirty months. However, thirty-two of the convicted, including the Fascist Lapuan leaders, General Martti Wallenius and Vihtori Kosola, were bound over for three years with their sentences suspended. The court acquitted twenty-four other defendants. Previously amnesty had been granted to twenty minor participants in the revolt.

The court declared that it was not convinced that the Lapuans were the leading spirits in the rebels' camp at Mantsala or that they were guilty of criminal offenses in their activities elsewhere. General Wallenius and ten other Lapuan leaders had objected to their incarceration pending the court's verdict by engaging in hunger strikes. They were eventually released before the sentences were imposed.

The extent to which bootlegging has affected the legal sale of liquor in Finland was indicated by a report of the government liquor monopoly on Nov. 15 placing the taxed liquor consumption during October at 266,292 quarts as compared with 429,028 quarts in September and 430,084 quarts in August.

ESTONIA'S NATIONAL CABINET

The difficulties which the Estonian State Assembly has been having in organizing a working government were overcome on Nov. 1 with the formation of a National Cabinet drawing its Ministers from the Agrarian, Socialist and Populist parties. Konstantin Paets (Agrarian) is State Head, August Rei (Socialist) becomes Minister of Foreign Affairs and Ado Anderkopp (Populist) is Minister of Justice and Interior. The Cabinet laid before the State Assembly a plan for economic reconstruction involving considerable extension of governmental control over private enterprise.

Setbacks to the Soviet Plan

By EDGAR S. FURNISS
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THE Soviet Union, on Nov. 7, 1932, celebrated the fifteenth anniversary of the revolution which launched the Communist régime upon its career. This year greater importance than usual was attached to the ceremonies because of the approaching climax of the Five-Year program which has come to typify the policy and tactics of communism to the Russian people and to the world at large. Accordingly, Moscow was crowded with delegations of workers from all parts of the vast territories of the Union and from many foreign countries. The Red Square was the scene of an impressive display of popular loyalty as Soviet troops paraded for three hours with the full equipment of a modern mechanized army, followed by an all-day procession of workers and peasants. War Commissar Voroshilov was the master of ceremonies and the only speaker, but in the reviewing stand were gathered the highest officials of the party and the government—Joseph Stalin, actual ruler of the Soviet Union; Molotov, president of the Council of People's Commissars; Kalinin, president of the Central Executive Committee, and others.

These incidents of pomp and ceremony, of course, are of little interest to the serious student of Russian affairs. What is of significance is the use made of the occasion to disclose the present status of the Communist program and the policy for the immediate future, not only in the address of Voroshilov at the public celebration and in the speeches of the government leaders on the preceding night, but through the inspired articles and editorials which filled the press before and after the event. It was made clear that there is to be no slackening of the determination to preserve the socialistic institutions already established and to press toward complete socialism. This has been a moot question during recent months.

In the Spring and early Summer of 1932, a premonition of the acute shortage of food and commodities which now confronts the Soviet Union caused the government to make various concessions to individual freedom and private initiative. It is true that these were abruptly rescinded a little later. But this vacillation of policy in the face of conditions which were growing steadily worse left it an open question whether the Communists would not be forced to abandon some of their socialistic policies, such as governmental monopoly of the market and the extinction of private enterprise in trade and manufacture. The discouraging results of collective farming had even called forth suggestions from high officials that this basic agrarian institution of socialism must be dissolved and the land returned to private hands. Similarly, the partial collapse of the new large-scale industries gave rise to the prediction that they were destined to be transferred to foreign concessionaires. By late Summer these difficulties had grown so serious that dissension appeared in the Communist party, leading to the expulsion of many prominent leaders. There is a body of opinion in Russia and a general belief among foreign observers that Stalin has been much too precipitate in forcing socialism upon the country, and that the resistance of stubborn economic facts will inevitably de-

feat his efforts. The recent pronouncements of the Soviet leaders, however, serve notice on the country that there will be no compromise; the immediate program is to be one of rule or ruin, a final desperate effort to overcome difficulties by sheer determination.

This decision has already begun to have its effect upon Soviet policy, both domestic and foreign. In foreign affairs, the necessity of concentrating all the energies of the country upon the struggle against adverse internal conditions commits the government to a policy of peace. In general, this has been Stalin's policy since his accession to leadership, and especially during the past three years when it has become evident that the success of the Five-Year Plan required stable relations between the Soviet Union and the rest of the world. But now need for peace and stability forces the Kremlin to adopt the truly radical policy of opposing social revolution in other countries as well as international war. Two editorials in *Pravda* during November convey to the foreign branches of the Communist party the hint that the time is not opportune for social revolution and that the Kremlin will not support the revolutionaries. Disorders in other countries which would have been hailed with acclaim a short time ago are now treated with reserved if not deprecatory comment. One American correspondent in Moscow in speaking of this change of attitude describes it as a "strange paradox that the Bolshevist Kremlin today regards the growth of the revolutionary movement with real anxiety." A paradox it is, when considered in conjunction with the Communist doctrine of world revolution, but nevertheless a logical consequence of Stalin's effort to construct a socialistic industrial society within a single country during a period of world-wide economic depression. The new rôle of the Soviet Union in world revolution is to be that of exemplar, not that of active leader. The true believer in other countries is told that he can best assist by keeping the peace until the Soviet example has had time to perfect itself.

While thus attempting to promote social stability in other countries, the Soviet Union has continued with some success its efforts to set up safeguards against international war. On Nov. 26 the French Cabinet finally approved the long-discussed pact of conciliation and non-aggression between France and the Soviet Union. This is an event of much importance to Russia, since it brings into effect a similar treaty with Poland concluded earlier but held in abeyance pending action by France; and draws into the pacific alliance the other Baltic States as a result of earlier agreements between themselves and Poland. It is also a sign that Rumania, by withdrawing her opposition to the Franco-Russian treaty, expects soon to enter into similar arrangements on her own account, thus neutralizing the entire Eastern European frontier, as described in Robert Machray's article, "Europe's Anti-Soviet Barrier," in CURRENT HISTORY for December, 1932. The treaty provides that neither country will resort to war against the other, that each will respect the territories under the other's sovereignty, that if either is attacked by a third party the other will not aid the aggressor directly or indirectly. As a guarantee of peace on a broader scale, the treaty stipulates that if either party wages aggressive warfare against a third, the other power is immediately released from the pact. The non-military provisions are of importance to Russia. It is agreed that neither State shall enter any international arrangement injurious to the commerce of the other, or interfering with the granting of credits to the other. Finally, Russia binds herself to refrain from propaganda in France and her colonies, while France is to restrain plotting against the Soviet State.

A network of treaties of this tenor between Russia, her Western neighbors, and France is obviously an im-

portant factor in the European situation. It nullifies the Treaty of Rapallo signed by Germany and Russia during the Genoa conference, and frees France and Poland from the danger of Soviet interference in their struggle with Germany over the preservation of the terms of the Versailles treaty. It acquires additional significance as a factor in world politics from the growing cordiality of relations of Japan with both the Soviet Union and France. A similar treaty under discussion between Japan and the Soviet Union has not yet received official approval, but there is abundant evidence that these countries have arrived at an understanding as regards Japan's strategy in Manchuria and are well on the way toward treaty agreement. Matsuoka, the special Japanese delegate to the League during its deliberations on the Lytton Report, while on the way to Geneva stopped in Moscow for preliminary conversations with the Kremlin and was made an honored guest at the anniversary celebration. The primacy of Russia's domestic problem will determine her attitude in the Far East as in other areas of her international relations. Beyond protecting her own frontiers she has no reserve of energy to expend in interference with the imperialistic plans of another nation. Her show of force on the Manchurian border in the Spring of 1932 aggravated an already serious condition by withdrawing food supplies from the civilian population. Since that time, as conditions within Russia have grown worse, she has inclined toward allowing Japan a free hand in Manchuria, thus laying the basis for definite treaty relations between the two countries.

Soviet relations with Great Britain provide an exception to the smooth development of this pacific policy. Negotiations arising from Great Britain's denunciation of the trade agreement grew progressively bitter during November. The press in each country added to this bitternes by openly attacking the good faith of the other, the controversy revolving around the old question of Communist propaganda in the United Kingdom and India. Thus far no progress at all has been made toward the re-establishment of stable economic relations between the two countries, and it is evident that neither government desires to show toward the other the same conciliatory attitude which governs its contacts with other States.

The controlling factor in Soviet policy at present, however, is the serious economic condition of the country itself. The status of the industrial program will not be definitely known until the final records of the Five-Year Plan are made available, though indications point to an accomplishment of from 60 to 80 per cent of the original program. But this is not the crux of the problem. The one fact of overwhelming importance is the failure of the food supply. Despite the success of the program for a socialized organization of agriculture—two-thirds of the peasants and four-fifths of the total cultivated land area are now in the collectives—the people are reduced to conditions not much above the famine level. The live-stock supply of the country has been decreased 50 per cent during the five years covered by the plan. Cattle and horses number 60 per cent of the total five years ago and Winter provision is available for not more than half of these. Milk animals are undernourished and a large percentage of them have gone dry. The food crops harvested in 1932 are 25 per cent below those of 1931. Meat, sugar, eggs, cheese, butter and milk have virtually disappeared from the diet of the majority of the peasants, and the urban population is on similarly short rations, except in the large industrial cities, where the official agencies are able to provide a somewhat better diet. These facts, culled from the news dispatches and admitted by the official Soviet press, give some indication of the seriousness of the situation.

The determination of the Kremlin

to carry through its socialistic program in the face of these conditions has already taken effect in various ways. One change of general policy has been indicated, namely, the lapse of the plan to launch a second and even more ambitious five-year program. In place of the dazzling forecast of other gigantic schemes, the press now predicts that the year 1933 will be one of consolidation and adjustment, in other words, a sixth year added to the plan. A process of "purging" is under way in the party itself. Large numbers of luke-warm members have been expelled from the ranks. The civil service of the country is being subjected to a similar process of elimination, some 25,000 clerks having been dismissed from government employment and assigned to work in the factories and on the farms. The purpose is to promote the unity and loyalty of the ruling faction and to reduce to a minimum the cost of government service.

In the attack on this great problem, every expedient will be used to increase the output of factory products for household consumption, with the major purpose of counteracting the peasants' tendency to hoard food supplies by providing desirable commodities in exchange for them. The steps taken in this direction involve increased discipline for the wage earner and are typified in the drastic decree of Nov. 16, 1932, which supplants the former law permitting the dismissal of a worker for unexcused absences from his job in excess of three days per month by a ruling which forbids all such absences even for one day. The punishment is not only discharge but the cancellation of the offender's ration card, which is virtually equivalent to a sentence to starvation.

In the second place, steps are being taken to attack at its source the problem of the food supply by reorganizing the management of the collective farms and counteracting the shortage of rural labor. The latter part of the policy is a phase of the nation-wide attack upon the labor turnover. Drifting labor is to be registered, regimented and distributed through the farming districts, there to remain at work under compulsion. The reorganization of farm administration has resulted in wholesale dismissals of managers.

Finally, the government is enlarging its agencies for direct feeding of the urban population. By the end of 1932 15,000,000 people were expected to be receiving their meals from factory kitchens, communal restaurants and other official or cooperative agencies. The ultimate objective of this movement is to abolish the home as the economic centre of family life. The principle of "mass feeding" is being rapidly extended from the large industrial centres to include the people in the smaller cities and the workers in enterprises of minor importance.

Persia Asserts Her Independence

By ALBERT HOWE LYBYER
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AT a meeting of the Persian Council of Ministers, presided over by the Shah himself, held at Teheran on Nov. 26, it was decided to cancel the concession of the Anglo-Persian Oil Company. This lease was made in 1901 by the Persian Government and William K. d'Arcy. For a small cash payment and the promise of royalties in proportion to the net profits of the enterprise d'Arcy was given exclusive rights for sixty years to prospect for,

produce and take away petroleum and petroleum products in all Persia, except the five northern provinces. Two years later a company was formed to exploit the concession and in 1909 the Anglo-Persian Oil Company, Ltd., was organized to take over d'Arcy's rights.

By 1913, when the company needed additional capital, Great Britain had become conscious of the desirability of securing large fuel supplies in the Middle East for the British Navy. Accordingly, the British Government provided enough capital to control a majority of the common stock. Estimates have been made that up to 1924 the government had recovered three and one-half times its original investment. Meanwhile production rose from 1,750,000 tons in 1921 to 4,800,000 tons in 1927; in 1930 production was 5,900,000 tons. The effect of the depression then began to be seen in a decline for 1930 to 5,750,000 tons, while falling prices reduced the operating profits to about $8,000,000.

The Persian Government is entitled to 16 per cent of the annual net profits of the company. In 1921 this share amounted to about $3,000,000; it rose to $6,500,000 in 1927, and was about $4,500,000 in 1930, but in 1931 not more than $1,000,000 was paid to Persia, and the decline continued in 1932. As a British corporation, the company has been obliged to pay a heavy income tax to Great Britain; in 1931 the amount of this tax was nearly three times as great as the royalty paid to the Persian Government. Thus the embarrassment caused Persia by the diminution of this element in its budget was emphasized by contrast with the greater income of Great Britain from an enterprise operating in Persia and depleting Persian natural resources.

Some time ago the Persian Government opened negotiations with the company for a revision of the charter, on the ground that circumstances have changed greatly in the course of thirty years. The officials of the company indicated their readiness to accept some modification and a year ago an agreement seemed near, but the negotiations broke down. Now Persia has taken action which must lead to a struggle with Great Britain. The Persian Finance Minister, in formally announcing the cancellation of the lease stated that Persia is willing to negotiate a new concession "based on the rights of both parties." In any event, the activities of the company will be allowed for the present to continue without interruption.

The action of the Persian Government caused considerable concern in Great Britain. A total loss of British oil rights in Persia would be a serious matter for the British Admiralty, although mitigated to some extent by British oil rights in Iraq. Obviously it can be urged that the Persian Government had no right to cancel by its separate action an agreement which has about thirty years to run, but affairs between governments cannot always be adjudicated as simply as private disputes. In this case Persian national feeling is important, as many citizens desire to be freed from all long-time commitments which were accepted by the former dynasty. Moreover, feeling against Great Britain is somewhat bitter, as was apparent in the recent refusal to allow British airplanes to cross Persian territory. For these reasons the dispute is expected to involve a long diplomatic struggle.

On the heels of the action on the oil leases came reports that Persia had ordered munitions in the United States and contemplated granting a virtual monopoly of the Persian automobile and rubber business to the General Motors and Firestone Companies. The American United Aircraft and Transport Corporation sold and delivered recently forty airplane engines and forty propellers to the Persian Government.

THE TURKISH LANGUAGE

The congress on the Turkish language held sessions in Dolma Bagh-

cheh Palace from Sept. 26 to Oct. 6. Kiazim Pasha, president of the Grand National Assembly, was president of the congress. President Mustapha Kemal Pasha attended all sessions without taking an active part and listened to the discussions on the origin of the Turkish language, its present situation, its modern and civil needs and the future development of the language.

The age of the language and its relationship with Indo-European tongues and other languages of Asia and Europe were considered, and also the direct development of the language and its grammatical history. Rules were elaborated by the congress for the formation of words to express new facts and for modernizing and Westernizing the manner of thinking. Particular emphasis was laid upon the desirability of purifying the language from foreign elements and bringing the written language nearer the spoken language of the people.

The linguistic revolution of 1932 was counted a continuation of the political revolution of 1919. The change to the Latin alphabet was commended as being especially helpful in eliminating foreign and, in particular, Arabic words. If the language be suitably Turkified, the formation of a Turkish mentality and a Turkish culture freed from foreign elements will follow naturally.

At the closing session a constitution was adopted for the Society for the Study of the Turkish Language, and a central committee of nine persons was chosen to carry on its work at Ankara.

THE FRENCH IN SYRIA

Now that Iraq has been recognized as an independent State, and has been admitted to the League of Nations, serious consideration is being given to similar treatment for Syria. Certain marked differences, however, exist between the two regions. Iraq is a unified State under monarchical government. While the French have sole mandate for Syria, their administration has dealt with separate regions—the Syrian State, Great Lebanon, and the regions of the Druse mountain, Latakia and Alexandretta. Each of these subdivisions has had a constitution or organic law, while another law provides for a "Conference of Common Interests." As a republic, France has naturally favored republican government in Syria, but whatever may be the form of government it must be decided whether Syria shall become one new State or whether several separate States shall emerge at different times. Apparently the French propose independence for at least the Syrian State. Such a possibility was forecast in the Constitution, which provides that a treaty with France may be substituted for the mandate. The national pride of both Syrians and French is now moved strongly by the elevation of Iraq, so that some action may soon be expected.

While the Syrian State is enjoying constitutional government, the Lebanon remains under a virtual dictatorship which has existed since the suspension of its Constitution in May, 1932. Governor Charles Debbas, supported vigorously by High Commissioner Ponsot, has re-formed the administration extensively, eliminating many abuses and cutting expenses in half.

CONDITIONS IN PALESTINE

The Jewish Agency for Palestine, in a recent memorandum to the Mandates Commission of the League of Nations, summarized the situation in Palestine to the middle of 1932. This supplemented the memoranda of June, 1931, and June, 1930. A few of the many interesting facts contained therein are worth mentioning. The Jewish rural population increased 200 per cent in the nine years before Nov. 18, 1931. Strangely enough the increase in the Arab population was greatest in the regions of the greatest Jewish settlement. During the same period the Jewish urban popula-

tion nearly doubled. In 1930 the natural increase measured by excess of births over deaths among the Jews in Palestine was 2 per cent.

Sir Arthur Wauchope, in a report to the Mandates Commission of the League of Nations on Nov. 10, declared that during his first year of office he had traveled through every district in the country and had met members of all groups. While he had no fear of external aggression, the long frontiers of the country require the government to have forces which can act quickly in case of incursions or unrest. Sir Arthur, in October, approved the admission of 4,500 immigrants whom he believes the country is able to absorb. He has been impressed with the good spirit of the Jewish colony and their determination to overcome difficulties. On the other hand, he has become acutely aware of the impoverished condition of the Arab peasants. In his report he outlined measures in the government's development scheme to improve stock, seed, fruit trees and methods of farming. Efforts have been made to establish agricultural cooperative societies and to establish improved school gardens. During the past year efforts have been made to foster harmony between the Jews and the Arabs.

The League Considers Manchuria

By TYLER DENNETT
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THE first phase, probably the first of many phases, of the debate in the League of Nations over the Lytton Report and recommendations closed on Nov. 28. The question, with Japan reserving her rights, was referred from the Council to the Commission of Nineteen. There is a possibility that the discussions at Geneva will drag on until Spring, at least until after March 4, 1933, when the new American administration will assume responsibility. Obviously this preliminary hearing before the Council did not provide the suitable opportunity for any hint of compromise by Japan, by China or by the League. Notwithstanding the flood of words from the Japanese and Chinese representatives, no new facts were developed at Geneva in the last week of November.

The opening guns boomed on Sunday, Nov. 20, when the Japanese Government released its "Observations" on the Lytton Report (See official summary on page 504 of this issue) and when Lord Lytton in a radio address appealed to America for the cooperation of civilized States in support of the world's peace machinery. Monday, Nov. 21, was a gala day of verbiage. Mr. Matsuoka led off in the morning. Dr. Koo followed in the afternoon. Tuesday there was no meeting, but on that day it was announced that China was being asked as a silver-using State to send an expert to join in the preparations for the world economic conference. Evidently not every one at Geneva shares the opinion that China, as a State, ceased to exist in 1916. It was suspected that this invitation to China may have been due somewhat to American influence, which during the week was revealed at the Council meetings only by the accents of Matsuoka of the University of Oregon and of Koo of Columbia University.

On Wednesday, over the protest of Japan, the Council invited the Lytton Commission to sit with it. Japan made a rebuttal to China's initial arraign-

ment. The next day Dr. Koo replied and the Council debated whether it was proper to invite the Lytton Commission to state its views in the light of the preceding debate. Matsuoka protested then acquiesced and, after Japan had closed its "sub-rebuttal," Lord Lytton, speaking for the Commission, declared simply that the latter had nothing to add or subtract from its report and recommendations. While the tone of Japan was at first positive and not conciliatory, Matsuoka yielded on the question of referring the Lytton Report to the Assembly, where it will be considered under Article XV of the Covenant. A tone of conscious rectitude characterized the appeals of both the Japanese and the Chinese representatives.

If Dr. Koo was in any way conscious that China had in many ways provoked the controversy now rocking the world, he gave no intimation of such a feeling in his appeal. Also conscious of rectitude and warmed with righteous indignation was the radio address of Lord Lytton broadcast from Geneva on Nov. 20. The chairman of the Commission added only one item of information when he definitely stated what was only vaguely alluded to in the Report, namely, that the Commission's investigation in Manchuria was gravely embarrassed by the fact that no one was allowed to come near it without a police pass. In other words Japan sought, under the guise of protecting the Commission, to prevent it from securing first-hand information from those opposed to the existing régime. Lord Lytton's broadcast was notable chiefly because it voices the point of view of the other school of thought.

Throughout the debate there was considerable twitting on facts. In contending that China is an organized State, Dr. Koo pointed to the 158 per cent gain of Chinese foreign trade during the past twenty years. As for her failure to keep her international obligations, what about Japan's failure to keep similar engagements? It seems that Japan also has her "war lords" who do not recognize the authority of their Foreign Office. In support of the Japanese contention that the Chinese boycott is a justification for intervention, Mr. Matsuoka recalled that in the Summer of 1905 President Roosevelt had been highly incensed at the Chinese boycott of American goods, and, so he alleged, even resorted to some degree of intimidation.

The charge that Japan exceeded in Manchuria the right of self-defense is embarrassed by the generous concessions volunteered by Secretary Kellogg in the negotiations of the Pact of Paris when he declared that the right of self-defense is not only inherent in every sovereign State and implicit in every treaty but that "every nation is free at all times and regardless of treaty provisions, to defend its territories from attack and invasion and it alone is competent to decide whether circumstances require recourses to war in self-defense." The Japanese did not overlook that the Senate, in an excess of caution, went even further by declaring that measures of self-defense might even involve military operations outside the territorial boundaries of the State. Presumably, it was the American intent to leave wide open the door for the repetition in Mexico and Caribbean areas of such military measures as have in the past so frequently characterized American policy in those regions. Just as American policy in Mexico in 1916 influenced the now defunct Lansing-Ishii agreement of 1917, so the subsequent policy of the United States in Nicaragua determined the limits within which the definition of self-defense must be kept. When the Japanese at Geneva declared that "they [the military operations in Manchuria] had no relations to anything but self-defense, and the Japanese Government cannot allow either their necessity or their appropriateness to be the subject of discussion," the statement was, in

fact, not quite so insolent as might otherwise have seemed to be the case.

France, logical France, also appears to have been entangled in a lack of consistency. She recognizes that a Japan, not only powerful but friendly, would supply an effective link in a policy against Russia. Her national interest is, therefore, somewhat served by acquiescing in the support of an Asiatic "revisionist" policy. On the other hand, the application of a similar policy in Europe would seriously compromise and weaken security in the West. Between the two policies, one in Europe and the other in the Far East, there can be little or no middle ground for France. Either she is committed to the defense of territorial boundaries or she is not. If she is so committed, she cannot consistently support the Japanese action in Manchuria.

The vital questions before the League, however, are not whether Japan went beyond the provisions of the Kellogg pact nor whether the Chinese have for ten years been definitely provocative. Japan herself posed one of the real questions when in the "Observations" she quoted the "principle laid down in the Caroline case" on the criteria of self-defense—"necessity, instant and overwhelming, allowing no choice of means and no instant for deliberation." Having posed the question, Japan defaulted. Matsuoka was weakest when he sought to show that his country had no second choice. The explanation was: "First, that the Japanese national sentiment would not permit outside interference in the Manchurian question. * * * Secondly, had we referred the matter to the League, the position of Japanese subjects, including Koreans, in Manchuria would have been seriously undermined in view of the delay invariably incidental to League procedure. Thirdly, there is a difference between the Japanese and Western mentality. The Westerner would begin to argue before the situation became acute, while the Japanese persists, perhaps too long, in the hope of a solution. Fourthly, when the breaking point came unexpectedly, events took their own natural course."

These points are stated in the order of their ascending force. The last is the most important, for it is in the nature of throwing the defendant on the mercy of the court. Matsuoka was most persuasive when he appealed for patience. He pleaded: "I ask of the Council a little patience. If the Western World will bestow upon us only a fraction of the tolerance it has so generously bestowed upon China it will be gratefully received."

The second critical issue—of which Dr. Koo made the most—was that Japan had defied the League. Taken from the lips of Dr. Koo the charge was made stronger by the belligerent and uncompromising declarations of the Japanese War Office on the opening day of the debate.

Underlying both these critical questions, however, is one raised by the Lytton Report itself, namely, that Japan has violated an inexorable law of the society of nations in antagonizing a neighboring State upon whose trade and good-will she is dependent. The penalties for the violation of this law do not lie in sanctions to be imposed by the League, under Article XVI, but in inevitable economic consequences which will arise from increased military expenditures on the one hand and, on the other, decreased revenues from trade with China. Japan may have offended the *amour propre* of Lord Lytton, of the League of Nations, of an American Secretary of State, but the greatest transgression is against economic law. The vengeance may well be his; let him repay. Such is the argument of many thoughtful observers in Japan as well as other countries.

It seems incredible and unlikely that the Chinese seriously consider, as a possible outcome of the consideration of the Lytton Report, that Japan will be forced to withdraw from even those portions of Manchuria which

are outside the railway zone. Such an evacuation could be achieved only as the result of a very large military effort. Nothing is clearer than that neither Great Britain, France nor the United States will join in the application of any kind of military sanction. It cannot be doubted that President Hoover, in his Omaha speech last October, spoke for the American people when he declared that the United States would not join in the application of such coercion. With these three powers subtracted from the equation, it is perfectly clear that Japan cannot be driven from Manchuria by the employment of force recruited out of the West.

There is the alternative, however, that New York, London and Paris will stand pat in refusing financial aid to Japan in her present dire financial straits. It has been persistently rumored for many weeks that Japan has been refused a loan in all those three money centres of the world. The request for a French loan has been coupled with the rumor that Japan has offered France a military alliance —an "implementing" of the Franco-Japanese treaty of 1907. The rumors that Japan has proposed such an alliance are so persistent that they become very credible, notwithstanding Matsuoka's emphatic denial. Lacking Occidental financial support, it seems very probable that the Japanese yen, which has already depreciated to about 40 per cent of its par value of 49.85 cents, will go still lower. The international balance of payments is unfavorable to Japan. Like the British sterling, although to a very much greater degree, more yen is offered in the international market than there is a demand for. It is reported that the Tokyo Government contemplates bond issues in the near future in excess of 2,000,000,000 yen, perhaps a third of the present total funded debt. The Japanese Navy was reported on Nov. 1 as asking for a supplemental appropriation of more than 5,000,000,000 yen for a four-year building program "to make up the deficiency caused by the London naval treaty." In making this request the navy is reported to have advanced its program one year beyond the previous schedule. This additional sum is in addition to the ordinary navy expenditure.

The Japanese budget for 1933-34 was approved by the Cabinet on Nov. 25. It called for total expenditures of more than 2,200,000,000 yen—about $476,000,000 at the current rate. The regular navy expenditure is estimated at 373,000,000 yen and the army's budget at 448,000,000. The War Office estimate had previously been put at 662,000,000 yen. As might be expected, the budget met with a storm of opposition. The financiers, with their eye on the already depreciated yen, were most vocal. For the first time since September, 1931, the bankers' protests became publicly audible. Baron Go, at a Chamber of Commerce dinner on Nov. 24 exchanged views with General Araki, publicly declaring that Japan's financial situation has become unstable. The already insolvent Japanese farmer does not yet realize what further debt and depreciated currency mean to him, both when he buys and when he tries to sell his pitifully small produce.

China has, however, still another ally, which may in the end be more substantial. It is fundamental in Chinese foreign policy to depend upon foreign assistance for defense. China would prefer to receive that aid from the United States, but, failing to obtain it there, she would like to have it from the League of Nations. If it is unobtainable in both America and Geneva, it is logical and almost inevitable that China should seek again a defensive alliance in Russia, where such a military arrangement was negotiated more than a third of a century ago. There has been in the Western world so much wishful thinking about the help which the Soviet Union may render China in her conflict with Japan that one hesitates to harp on the sub-

ject further. It cannot be overlooked, however, that China is looking for a more substantial friend than she can find in Washington, in London, in Paris or anywhere in Europe, unless it be in Moscow.

Mr. Matsuoka on his way to Geneva stopped in Moscow, but apparently failed to reach any agreement with Russia. From Tokyo it was reported on Nov. 4 that Dr. W. W. Yen, the Chinese delegate at Geneva, talked with Maxim Litvinov, the Soviet Foreign Commissar at Geneva, regarding a resumption of diplomatic relations between China and Russia. At the end of November it was reported that conversations being held in Geneva between Dr. Yen and V. S. Dovgalevski, now representing the Soviet Union in Paris, had reached an advanced stage.

Although China looks to Washington and to Geneva for help, she is, at the moment, receiving more effective aid from the financial conditions in Japan already referred to and from the pertinacity of her "volunteers" in Manchuria. During November Japan waged a desultory warfare on many fronts in the new State of Manchukuo. On Nov. 3 a great Japanese victory was reported at Tsitsihar, 200 miles northwest of Harbin. On the same day Japan reported that she had restored quiet southeast of Mukden, but two days later it was necessary to acknowledge that there were still great bodies of volunteers at large in the area west of Tsitsihar. Japan holds the South Manchurian Railway and the south branch of the Chinese Eastern, but when Mr. Matsuoka went to Geneva, he could not cross Manchukuo from Harbin to Manchuli in the direction of the main line of the Transsiberian for the simple reason that Japan does not control the western link of the Chinese Eastern. General Muto, on Nov. 9, announced a plan to buy off the alleged bandits, which he estimated at 210,000. Three days later an airplane mission proceeded to Manchuli to negotiate with General Hsu Ping-wen, who holds 245 Japanese hostages. Moscow permitted the Japanese mission to enter Dauria, whence negotiations were to be conducted. General Hsu rejected the gold and the compromise and defied Japan. While the Japanese were pleading their case at Geneva, Moscow requested the Japanese to withdraw from Dauria, where the negotiations had been quite futile.

Recently it was alleged that Japan was prepared to launch a new drive through Jehol. If Japan wishes to support the Manchukuo claim to effective administration of Manchuria, it would appear that the reclamation of Barga and of Jehol, as well as the entire area north from Tsitsihar, is already long overdue.

The military events of the last three months in Manchuria are helping the arguments advanced by the Lytton Commission that Japan is indulging in a very costly venture. On the other hand, there is little in the present situation to warrant much Chinese optimism. Some of the Chinese are already beginning to take a sober second thought. "Manchuria is gone," declared Edward Hsu in the *China Critic* for Oct. 27, 1932; "so long as China remains what she is, so long will Manchuria remain a piece of unredeemed territory. To recover it, China and her people must go through a fundamental change."

It is worth pointing out that there is before the League, at the present moment, no proposal, other than that of the somewhat frantic Chinese delegates, which would restore Manchuria to China. If the status quo is maintained, Manchuria is gone until either China, the Chinese in Manchuria or some Western power rises to drive out the conqueror. If the Lytton recommendations are accepted and some day put into effect, Manchuria will even then be only nominally part of China. In either case, Manchuria is gone.

The Japanese Reply to the Lytton Report

The following summary of the observations of the Japanese Government on the report of the Commission of Inquiry appointed by the resolution of Dec. 10, 1931, of the Council of the League of Nations, was issued on Nov. 20, 1932, through the Japanese Consulate General in New York City:

INTRODUCTION.

THE Japanese Government express sincere appreciation of the endeavors made by the members of the Commission to make themselves acquainted with the details of a very delicate and complicated situation which presents many unfamiliar and novel features. They indicate, however, that, owing to the shortness of the time available, the Commission could only acquire a superficial impression; and that, in particular, it is felt that if the Commission had visited other parts of the country, especially South China, their optimism regarding the Chinese situation would have been considerably modified.

The Japanese Government disclaim any intention of entering into a meticulous criticism of details in the Report, which they recognize furnishes a valuable compendium of events. They limit themselves to the formulation of certain observations on matters of capital importance.

They have not the remotest intention of casting any reflection on the conscientious nature of the Report. But they feel that the comparative weight to be attached to the evidence has been wrongly estimated. It is apparent on the face of the Report that its findings are based on newspaper articles, letters of casual correspondents and private conversations, as well as on authenticated official material; and the right of elucidating the degree of credit which attaches to this miscellaneous evidence must be reserved.

It is used invariably against Japan, and this is particularly noticeable in the sections of the Report which deal with the incident of Sept. 18 and with the establishment of the independent State of Manchukuo. In the former case it leads to a complete misconstruction of the motives which actuated the Japanese armed forces, and, in the latter case, to the presentation of suggestions for the future government of Manchukuo which are consistent neither with the tenor of the remainder of the Report nor with the realities of the situation.

After these preliminary remarks, the Introduction closes with a disclaimer of any such bitter feeling toward the Chinese people as a whole as is suggested by some passages of the Report. Japan looks forward to ages of prosperous and friendly cooperation between the two peoples.

CHAPTER I—CHINA

A GENERAL SURVEY

The Japanese Government acknowledge that the Report contains many conclusions flowing for the most part from observed facts. But these observations and conclusions are enveloped in a mist of optimism, the glamour of which is certain to be misleading to any one who does not know the true facts.

The Commission appear to be surprised by such statements as that "China is not an organized State" (p. 17), and that "China is in a condition of complete chaos and incredible anarchy" (p. 17). They call attention to "an altogether different attitude that was taken at the time of the Washington Conference by all the participating Powers," when in fact if conditions were bad then, they are worse now. That most of the many contending factions, from which the National Government at Nanking secure no obedience, may aim at the ideal of a united China, of which each thinks to be the master, is possible enough; but that does not make China united, as the Report seems to suppose.

At the time of the Washington Conference, it was possible to hope for an early restoration of unity and peace to China. Events have belied that hope. The struggles of rival militarists have become ingrained and endemic; the situation is wholly different from that of 1922.

The Japanese Government proceed to cite several passages in which the Report in emphatic and unqualified terms records the prevalence of violent upheavals and dissensions in China, forcing the Central Government to fight for its very existence, and culminating in the statement that "not even the semblance of unity could be preserved" * * * "when powerful war lords concluded alliances amongst themselves and marched their armies against Nanking," in a contest which in their eyes was "never an act of rebellion," but "simply a struggle for supremacy * * *" (p. 17). It is asked how these statements can be reconciled with others in the Report—e. g., that "the central authority is not at least openly repudiated" (p. 17). The struggles between rival war lords are very far from having come to an end—several actual examples of this are cited, including the strife between Liu Wen-hui and Liu Hsiang in Szechwan, which no efforts on the part of the Central Government have been able to terminate. Further, there now exists the formidable Communist movement, which the Report admits has "become an actual rival of the National Government," possessing "its own law, army and Government, and its own territorial sphere of action" (p. 23).

Upon this rapid review of the "disruptive forces," the continually controlling character of which the Report duly recognizes, it is the conviction of the Japanese Government that, contrary to the view expressed in the Report that

"considerable progress has in fact been made" since the date of the Washington Conference, an impartial examination will show that the condition of China is in fact much worse.

B. Anti-Foreign Activities in China.

The admission of the Report is quoted to the effect that the progress of China has been "hampered by the virulence of the anti-foreign propaganda which has been pursued" (p. 18). The Commission remark that this propaganda is especially notable in two directions—viz., in the matter of boycotts and anti-foreignism in the schools. As the detailed discussion of these two matters is dissevered in the Report, the Japanese Government show that it is necessary, in order to appreciate the situation properly, to coordinate them, and to exhibit them as manifestations of one underlying spirit of hostility.

The National Government, permeated by acute anti-foreign feeling, are working earnestly to instill a virulent hatred of foreigners into the minds of the younger generation. Fifty millions of young Chinese are growing up under the influence of violent ideals, constituting a terrific problem for the future. The Nanking Government are doing their best to foster this alarming process, as is evident from the Report, which observes that "a perusal of the textbooks used in the schools leaves the impression on the mind of a reader that their authors have sought to kindle patriotism with the flame of hatred, and to build up manliness upon a sense of injury" (p. 15)—and shows how the result has already been to induce the students to engage in violent activities.

In the same way the Report recognizes that the Chinese boycotts have been the definite expression of a hostile attitude on the part of China toward Japan, and that they are consequently detrimental to friendly relations between those countries both from a psychological and from a material point of view. This confirms what the Japanese Government have always maintained; but they would add that the boycott has taken on the special feature in China of being employed as an instrument of national policy and as a lever by which to extort from other nations the abandonment of treaty rights. They concur with the Report in holding the Nationalist party responsible for the boycotts, but they point out that it is not a mere political party in the Occidental sense, but a constitutional State organ, for whose acts the National Government must be responsible.

Returning to the necessity for coordinating these quasi-hostile activities of educational propaganda and the boycott, the Japanese Government emphasize the fact, not brought out in the Report, that they are only two phases of one underlying phenomenon, the anti-foreign policy of the Kuomintang and the Nationalist Government. It is this avowed policy of theirs which has contributed to alarm foreign Powers, and increased their reluctance to surrender the rights which constitute at the moment their only protection. The Report recognizes that the Kuomintang and its "demands" have "introduced to the nationalism of China an additional and abnormal tinge of bitterness against all foreign influences" (p. 18), but this is to understate the case.

The Kuomintang party have time and again announced as their basic foreign policy the abolition of foreign rights and the unilateral denunciation of "unequal" treaties. They have repeatedly pledged themselves to the public to carry out this policy. They have carried legislation putting their principles into practice. Their law of Dec. 28, 1929, provided for the abolition of extraterritorial rights as from Jan. 1, 1930, and in January, 1930, they announced their intention of abolishing extraterritoriality by other than diplomatic means unless a satisfactory settlement could be immediately arrived at, and, in fact, regulations were then issued for the administration of justice in the case of foreigners. It will be apparent, therefore, that foreigners and their rights in China were faced with serious dangers prior to Sept. 18, 1931.

And, as the Report observes, "Japan has suffered more than any other Power from this lawless condition" (p. 23).

C. Abnormal Status of Foreigners.

The internal disintegration which lies at the very heart of the capital question of China, together with the state of constant insecurity to which the lives and property of foreigners are consequently exposed; the inculcation of hatred in the schools, and the anti-foreign propaganda among the adolescent; the perfected methods of boycott to be applied to foreigners of one nationality or another; the unilateral denunciation of treaties, along with the rest of the measures derived from the theories of "revolutionary diplomacy"—all contribute to invest the problems which are presented by China, destitute as she is of a strong and united government, with an entirely special character, and prevent the application of usual methods of solution. Such anti-foreign characteristics as have been described — unparalleled elsewhere — have obliged foreign Powers to maintain a system for the protection of their rights and interests at their own hand. They not only have extraterritorial rights but police and administer whole "concessions" in Tientsin, Hankow, Shanghai and other cities, and maintain the necessary troops and ships to protect their rights directly by force of arms, nor is this an empty form. There have been many occasions on which these troops and vessels have been actively employed.

It is thus clear that the position of foreign Powers in China is an altogether exceptional one, without parallel in other parts of the world. The Report itself admits that until the discrepancy between China's aspirations in the field of foreign relations and her ability to discharge the functions of a modern government in the sphere of domestic affairs has been removed, "the danger of international friction and of incidents, boycotts and armed interventions will continue" (p. 23).

The application of the "peace machinery," as constituted at present, encounters inseparable obstacles in regard to such a country. The abnormal conditions prevailing in China and the fact that the Powers refuse accordingly to modify the abnormal and extraordinary institutions above mentioned, are sufficient proof of this.

CHAPTER II—MANCHURIA

A General Survey

The Japanese Government remark on the failure of the Commission to realize that Manchuria is not naturally and necessarily a part of China. They observe that, on the contrary, its union with China has only been temporary and accidental, and they quote the published opinion of M. Escarrs, an adviser to the Nanking Government in *Le Chine et Le Droit International* (p. 240), to the effect that the bond between the two was a "lien personel," due to the fact that the Manchus occupied the Chinese throne —a bond the basis of which disappeared with the fall of the Empire and which the Republic did little to strengthen. Even assuming that in this ambiguous post-Empire state of things Manchuria must be pronounced to have been for the moment duly incorporated with China—a large assumption—the fall of the united Republic in 1916 signalized the break-up of all unity of government in China. None of the governments arising in that vast area had any title to supremacy over the rest, and the eventual establishment of a government at Nanking, and its recognition as a legitimate government by the powers, could not invest it with authority over regions such as Manchuria, which had never been subject to its sway. In point of fact, Chang Tso-lin never took orders from any of the various parties who from time to time seized authority in Peking, though he may have consulted their inclinations when it suited him to do so. "He seems," says the Report, "to have looked upon his relations with the government in the sense of a personal alliance" (p. 28), and it gives many instances of his independence. The Report, indeed, argues that in adopting this attitude "he did not mean to be independent of China" (p. 28-29), but in his declaration of May, 1922, to the foreign Ministers in Peking, Chang Tso-lin plainly states that the Northeastern Provinces "are not recognized as territories of the Republic of China." His son, General Chang Hsueh-liang, has adopted essentially the same attitude. As the Report says, his "relationship with the Central Government depended in all affairs * * * on voluntary cooperation. Orders or instructions requiring unquestioning obedience would not have been tolerated. Appointments or dismissals against the wishes of the Manchurian authorities were unthinkable" (p. 30). The Report thus clearly demonstrates the entire independence of Manchuria under the Changs from subjection to, or interference by, any Chinese Government.

B. Misgovernment Under the Chang Dynasty

The Commission note, while they somewhat extenuate, the maladministration that prevailed under the Changs. Their statement is effective, even in its prudishly moderate form, as showing how the Manchurian people labored under an oppressive yoke of official and militarist victimization, and how unlikely it is that any artificial Japanese stimulus was necessary in order to induce them to break it when the opportunity came. "Military expenses are estimated to have amounted to 80 per cent of the total expenditure." "All power resided in the hands of a few military men." "Corruption and maladministration continued to be the unavoidable consequences." "The authorities further taxed the people by steadily depreciating their redeemable provincial currencies." "Officials used their power to gather wealth for themselves and their favorites."

C. Special Position of Japan

The "special position" of Japan in Manchuria, to which so much mystery is attached, is a very simple matter. It is nothing but the aggregate of Japan's exceptional treaty rights, plus the natural consequences of her propinquity, geographical situation and historical associations. Her interests there are exceptional, intimate and vital, and justify measures of self-protection on the standard principle laid down in the Caroline case: that every act of self-defense must depend for its justification on the importance of the interests to be defended, on the imminence of the danger and on the necessity of the act. This special position of Japan does not give her, nor is it asserted to give her, a general and vexatious right of intervention in the administration of the country. But it creates a position in which she must defend herself with uncommon energy against military attack.

This special position—economic, strategic and historic—is fully admitted in the Report. It observes, however, that it "conflicts with the sovereignty of China." Such is not the case, for it is well established that rights granted by a sovereign State in the exercise of its sovereignty do not "conflict with" but on the contrary constitute an exhibition of that sovereign power. Nor can the special circumstances of fact which render Manchuria so important to Japan possibly conflict with the local sovereignty. They only make it somewhat more liable than otherwise to the remote possibility of the occurrence of acts of self-defense—a liability to which the most powerful States must necessarily be subject, as is shown by the case of the Caroline.

The Report makes no acknowledgment of the civilizing work accomplished by the South Manchuria Railway under Japanese management and control. It lays stress on the development of Manchuria effected by the influx of an industrious Chinese multitude. But this influx was not due (as it suggests) to an official

Chinese policy, but to the attractiveness of Manchuria in remaining free, owing to the presence of Japan, from the scourge of war. The ties of this new population with their old abode are, as observed by the Report, "chiefly racial and social" (p. 125). It is difficult to understand the emphasis which the Report places on the political effectiveness of this non-political, non-economic bond.

D. ATTACKS ON JAPAN'S POSITION

Although the Report says little concerning the enterprises and establishments of the Japanese in Manchuria, it is these that have been the objects of Chinese attacks. The Report examines them (Chapter 3) under the heads of:

1. Encircling policy against the South Manchuria Railway.
2. Obstacles to leasing land and exercise of other treaty rights.
3. Oppression of Japanese subjects (especially Koreans).
4. The assassination of Captain Nakamura.

But it deals with these matters piecemeal, and fails to coordinate them into one whole, animated by one basic cause: a fixed intention to annihilate Japanese rights in Manchuria. This is an all-important matter as showing the genesis of the incident of Sept. 18, 1931, and it is regrettable that the telling summary of the various attacks upon Japan's position which is contained in Chapter 2 of the Report is left "in the air" and is not related, as it should have been, to the account of the origin of the incident which is given in Chapter 4.

The summary in Chapter 2 shows that what the Report styles "a forward policy" had already been adopted in Manchuria before the union with the Nationalists, and that after that event Manchuria "was opened to well-organized and systematic Kuomintang propaganda" (pp. 30, 31), the serious effects of which the Commission describe in detail. Nothing of all this is mentioned in Chapter 4 (the Sept. 18 incident), where the "forward policy" is indeed ascribed to the Japanese. The whole background of the incident is cut adrift. All the evidence of an aggressive determination on the Chinese side is discarded. It is replaced by a collection of surmises why the Japanese might be supposed to have been prepared for resumption of a "positive policy." The result is to put before the reader in Chapter 4 domestic discontent in Japan, instead of Chinese aggressiveness, as the cause of the incident.

In fact, the Japanese Government were doing all in their power to lessen the tension, and to diminish the likelihood of an appeal to force.

Many instances can be given of the truculence and insolence prevailing in General Chang Hsueh-liang's army in Mukden, and it is instructive to notice that when the Japanese troops entered the North barracks there, there was found on its walls a placard exhorting the men in the garrison to "look at the railway running along the west side of these barracks!" It is little wonder that **at this very spot the explosion was engineered by those very men. The paramount necessity of avoiding the smallest act which might explode the inflammable atmosphere must be apparent to every one who realizes the growing aggressiveness of the Chinese.**

CHAPTER III—THE INCIDENT OF SEPT. 18 AND SUBSEQUENT OPERATIONS

The account of the Japanese military authorities is upheld as entirely correct, and the Council are referred to it for certain details which are omitted from the summary of it contained in the Report. The conclusions advanced by the Report appear to follow neither from the Japanese nor the Chinese account, and seem to have been influenced by outside information. They recognize the fact of the explosion on the night of the 18th, but they add that the damage done was not of itself sufficient to justify military action.

But, as has been already observed, the Report fails to bring out and take account of the state of acute tension which it admits to have existed, and it also misinterprets the fact that the Japanese Army certainly had a plan to deal with such a situation as in fact arose. The former matter has just been dealt with. As respects the existence of "a carefully prepared plan to meet the case of possible hostilities" (p. 71), the Japanese Army undoubtedly had such a plan, and it would have been a gross dereliction of duty if it had not. It was faced by a numerically far superior force, outnumbering it by twenty to one, and possessed of a vast supply of material, including airplanes. To prevent itself from being overwhelmed, it had to have a plan of which the execution, when once the alarm arose, was almost automatic. It was, in fact, "put into operation with swiftness and precision" (p. 71), and properly so.

The Report draws an unfavorable contrast between the preparation of this plan on the Japanese side and the supposed absence of plans on the part of the Chinese. It also refers to a telegram asserted to have been dispatched on Sept. 6 by General Chang Hsueh-liang instructing the troops to avoid having recourse to force. Such a telegram, if indeed it was actually sent and circulated, might have been canceled or disobeyed, for Chinese discipline is notoriously bad. In point of fact, the Chinese did attack on that night and did continue to resist force of arms. Indeed, the Report observes that there was no "concerted or authorized" Chinese attack, leaving it open to infer that there was an unofficial one. That, "concerted or authorized" or not, put the Japanese emergency plan automatically into motion.

The Report adds that "the military operations of the Japanese troops during this night * * * cannot be regarded as measures of legitimate self-defense." It is entirely impossible to accept this gratuitous opinion.

The statements at the time of the negotiations which led up to the signature of the Briand-Kellogg Treaty for the Outlawry of War, made by Mr. Kellogg himself on June 23, 1928, by the Senate of the United States, by the British Foreign Minister of the day (notes of Sir A. Chamberlain K. G., May 19, July, 1928), and by the French and German Governments, clearly reserved the right of self-defense and none contradict the observation made by Mr. Kellogg that "every nation * * * is alone competent to decide whether circumstances require recourse to war in self-defense," which the British and French notes expressly corroborate. The right to pronounce on the legitimacy of the Japanese military measures therefore rests solely with the Japanese Government.

The right of self-defense demands, according to Daniel Webster's standard definition, a case of "necessity, instant and overwhelming, allowing no choice of means and no instant for deliberation." With these conditions the incident of Sept. 18 precisely complies. There was the danger constituted by an overt act by members of a vastly superior force, capable, if not nipped in the bud, of driving the Japanese into the sea. There was no choice of means—what else was to be done? There was no instant for deliberation—the open attack was already launched. The interests at stake were no less than the whole position of Japan in the Far East.

It is as impossible as it would be unjust to make Japan responsible for the further events which supervened on the Chinese resistance. There is no knowing how far resistance to measures of self-defense may develop, as was evidenced in the battle of Navarino, which was desired by no one, but which in the then state of tension was precipitated by a chance shot, with the most momentous consequences.

In short, the whole series of operations were entailed by the putting into execution of a plan carefully prepared to meet the alarming eventuality of a Chinese attack. They had no relation to anything but self-defense, and the Japanese Government cannot allow either their necessity or their appropriateness to be the subject of discussion.

CHAPTER IV—THE NEW STATE

It is first observed that the conclusion of the Report that "the maintenance and recognition of the present régime in Manchuria would be equally unsatisfactory" with the restoration of the former state of things, appears to have been reached with little reference to proved facts; and regret is expressed that the Commission, giving little weight to the solemn declarations of the Japanese Government and the documents presented by them, have apparently listened to the opinions of unidentified persons and accorded credence to letters and communications of doubtful or unknown antecedents. Accordingly, the Japanese Government proceed to enlighten the Council more fully.

A. Establishment of Manchukuo

Exception is taken to the statement in the Report that nothing was ever heard of the independence of Manchuria before September, 1931. It is recalled that Manchuria has always constituted a special territory, geographically and historically distinct from China proper. There was no power in the Republic to annex it to China proper and its independence was at least twice proclaimed by Chang Tso-lin. The expensive ambitions and adventures undertaken by him and his successor, with the misgovernment which that expense entailed, gave rise to a movement known as "Paoching Anmin" ("Preserve the Frontiers and Give Peace."). From such a movement to independence in name as well as in fact was a trivial step. This movement is a historic fact: the leaders were Mr. Wang Yung-chiang and Mr. Yu Shung-han, that same Mr. Yu who, after Sept. 18, became the organizer of the "Self-Government Guiding Board." It is surprising, therefore, that the Report should aver that independence movements had not been heard of. There was in existence this definite movement implying Manchurian independence of China proper and freedom from the misrule of the Changs.

Coming to the actual establishment of the new State of Manchukuo, the Report states categorically that its proclamation was inaugurated, organized and carried through by the Japanese; that the activities of the Japanese headquarters staff were marked, from Sept. 18 onward, by political motives; and that the General Staff in Tokyo lent the movement their assistance and gave directions to its organizers. The facts are otherwise. When the followers of General Chang Hsueh-liang disappeared, as they mainly did after the events of Sept. 18, 1931, local leaders began in the different districts to carry on the machinery of daily life, and the Japanese Army, whose imperative duty it was to do no more than was necessary in the exercise of their measures of self-defense, welcomed this incipient organization and assisted it by all means. That eventually such nuclei of administration coalesced into district, provincial and national bodies was very natural and even serviceable. That they should have developed into a genuine State is no matter for astonishment, and offers no occasion for invoking an imaginary Japanese stimulus.

The movement already existed to get rid of the Chang dynasty, and this easily slid into a movement for disclaiming connection with China. It comported well, moreover, with another existing movement: viz., that which aimed at the restoration of the Manchu dynasty. The Report itself admits that the movement in favor of local, provincial or State independence was the work of highly placed Chinese, Manchus or Mongols; we need only name Dr. Chan Hsiu-popo, Mr. Yuan Chin-kai, Sr. Chang Yin-ching, Sr. Hsieh Chieh-shih, Sr. Yu Chung-han, General Tsung Chih-yi, General Hsi Hsia and General Chang Chin-hui. Chinese, Man-

chus and Mongols alone compose that Northeastern Administrative Council—the germ of the new State. An examination of the dates will show how impossible it is that any Japanese authorities should have organized and stimulated an independence movement which showed itself active by Sept. 26—on which day the Fengtien Committee for the Preservation of Order was already issuing declarations which contemplated the independence of Manchuria. Several other early declarations in a similar sense can be adduced. The correct inference is that the aspirations of the leading Chinese and Manchu inhabitants spontaneously and naturally found a sphere of action hitherto denied them on the disappearance of so objectionable an administration as that of the Chang dynasty.

Neither the Japanese Government nor the Japanese Headquarters Staff gave these wider ideas any encouragement. Baron Shidehara, then Minister of Foreign Affairs, and General Minami, Minister of War, both issued instructions on Sept. 26 strictly forbidding participation by the Japanese in the various attempts to establish a new political authority in Manchuria; and in conformity with these instructions the Japanese, civil as well as military, uniformly abstained from interference. When the movement had finally established itself among the Chinese, Manchus and Mongols, of course, the Japanese should no longer ignore it. The "Self-Government Guiding Board" was an institution not created until Nov. 10, and was under the management of a Chinese. Yet the Report represents it as an organ of the Kwantung Army headquarters. This is a mere repetition of the allegations in the Chinese memorandum, corroborated, according to the report, by "reliable" witnesses, who are left unidentified, and it is completely at variance with the facts.

It may probably be true, as the Report says, that such a movement in favor of a change of government could not have been carried through but for the presence of the Japanese troops. But they were merely in the exercise of a lawful right of self-defense, and if the independence movement took advantage of the conditions thus created, that altered in no wise the spontaneity of the movement. There are many instances in other continents where independence has been proclaimed by the presence of foreign forces, and where that independence has never been questioned.

It is true, also, that the Nine-Power Treaty of 1922 prevents the signatory powers from impairing the sovereignty of China. But it is irrelevant. If in the due fulfillment of her lawful rights a signatory power finds herself in Chinese territory, she cannot be responsible for the consequences. If these consequences impair Chinese sovereignty or integrity, it is not she who is to blame. Even supposing, therefore, that Manchuria under General Chang Hsueh-liang was really an integral part of China, still Japan cannot be answerable for the consequences of her proper and necessary action.

To deny that the present régime is to be regarded as the outcome of a natural and spontaneous movement is to admit that all the evidence presented by Manchukuo has been disregarded, including the *Histoire de l'Independance du Manchoukuo* with its detailed and specific account of the many demonstrations which have set the seal of their approval upon the new government. It is repeated confidently that the movement was a genuine, spontaneous, popular and natural one. The old crown domain installed the descendant of its ancient chiefs, to secure it alike from the oppressions of its quondam militarist tyrants and from the anarchy of China proper. Why this rational and natural step should be ascribed to the machinations of Japan, it is hard to imagine.

B. Attitude of Its Inhabitants

A striking feature of this part of the Report is the great credit attached to the 1,500 letters of unidentified Chinese, all but two of which are said to be unfavorable to Manchukuo and Japan, and the little weight ascribed to official memoranda and to the petitions and declarations of responsible bodies which enumerate the grievances which the population had against the late administration and give voice to its aspirations and its hopes.

Considering the vigor and activity of Chinese propaganda, it is really astonishing that only one in 20,000 of the inhabitants of Manchuria was moved to write against the new régime, and it is a fact that tells in favor of the latter. In the same sense stands the positive evidence afforded by assemblies and delegations, all strongly in favor of Manchukuo; this is all dismissed by the Report as due to Japanese machinations, but, as has been already observed, it is surely intelligible that a people who had been systematically "squeezed," oppressed and defrauded by their rulers would not need the stimulus of Japanese threats and bribes to induce them to accept a government which at least offered them a chance of security for the products of their labor. The Report, indeed, systematically lays stress on every voice which is critical of Manchukuo, and discounts or discredits every opinion—such as that of the Koreans and Mongols—which is favorable to the new régime.

Fortunately the truth is more encouraging than the unfavorable picture drawn in the Report. It is unnecessary to enumerate the signal marks of acceptance which, in spite of the effort of the enemies of Manchukuo, the population has continuously accorded to the new régime. It is a civil government, the first of this character that the people of the country have known since the Manchu dynasty was overthrown, and this civil character stands out conspicuously in comparison with any of the autocratic militarist governments which at present bear rule in China.

C. Prospects

The Report thinks that "after making

every allowance" "there is no indication that the government will in fact be able to carry out any of its projected reforms" and it singles out the budget and currency reforms for special skepticism.

Contrast this critical attitude with that exhibited in Chapter I of the Report, where the attempts, mostly abortive, and programs of Chinese reformers are appreciatively recorded. It will be noted that while China is given credit for having accomplished much, Manchukuo is coldly frowned upon as not very likely ever to accomplish anything. And this, although she has already really put several of her contemplated reforms into actual execution.

Attention is especially drawn by the Japanese Government to two points: the restoration of peace and order in Manchukuo and the management of its finances.

The establishment of a new State is commonly attended by disturbances. In this case, the disbandment of vast regular armies in the employ of the old régime has turned them adrift to become bandits. Manchukuo is working hard to disperse the major hordes; the second stage will be the suppression of any minor groups which may remain, by police methods. The rapid improvement of the organization of a regular police force is a proved fact, which will contribute to this end. Meanwhile the work of suppression of the major bands is successfully proceeding. The forces of General Ma have been destroyed. Those under General Li Hai-ching have been defeated. Those under Generals Ting-chao and Li-tu have been driven into the remote regions north of the eastern section of the Chinese Eastern Railway. The strong bands of brigands which infested an area between the Mukden-Hailung Railway and the river Yalu, and which constituted the principal source of danger in South Manchuria, have been annihilated.

Meanwhile it is significant that all these soldier-bandits are receiving material support from China proper; and that the operations of minor bandits are more and more tending to be directed against foreigners, with the evident aim of casting discredit upon Manchukuo. The final extermination of banditry cannot be accomplished in a moment, but it is expected that the principal hordes will be dispersed within a reasonable period of time.

As regards the financial aspect, for the first four months of its existence (March 1 to June 30, 1932) the receipts and expenditures of Manchukuo were 9,300,000 yuan and 9,100,000 yuan respectively, showing a credit balance of 200,000 yuan. The budget for the fiscal year, July 1, 1932, to June 30, 1933, shows an income of 101,000,000 yuan and an expenditure of 113,000,000 yuan; while this infers a deficit of 12,000,000 yuan, the budget allows for an emergency reserve fund of 15,000,000 yuan, so that the situation is very satisfactory. The Central Bank has sufficient capital, has maintained its paper currency at par and has stabilized the currency, the circulation of which is very normal. It may be remarked that this shows a signal contrast to the actual state of things under the Chang dynasty. Having an excess of exports, Manchukuo imports a large amount of silver, so that it can easily maintain the value of its currency.

The Japanese Government prefer not to dwell on the gratuitous suppositions contained in the Report, to the effect that all political and administrative power in Manchukuo is in the hands of Japanese officials and advisers. These allegations can certainly not command the attention of the League of Nations. There are, and there have been, numerous States, universally acknowledged to be independent, which employ the services of many officials of one or more foreign nationalities, and others which have foreign troops stationed in their territory. The members of the League have only recently admitted that the presence of such foreign troops is no obstacle to the admission of a State as a member of the society.

The prospects of Manchukuo, the Japanese Government consider, are brilliant. With a great extent of territory and a large population, it has the further advantage of possessing natural frontiers. Its government have spontaneously declared that they intend to respect all international engagements made by China, so far as they are applicable to Manchuria, and that they will faithfully observe the principles of the open door and equal opportunity. They entertain no anti-foreign sentiments. There is no Communist peril, such as exists in China. Manchukuo is still in its infancy, but would it not have been an act of justice on the part of the Commission, who have shown themselves, in spite of all discouragements, so sympathetic toward China, to exhibit some degree of patience with a State scarcely six months old?

The difficulty mentioned in the Report, of defining the precise relations between Japan and Manchukuo, disappears, in the light of the Protocol of Sept. 15, 1932, which clearly defines the position. Nothing in this Protocol nor in the acts of Japan in cooperating with the new Government is inconsistent with any of the public engagements of this country. By the Nine-Power Treaty of Washington she joined in an undertaking to respect the sovereignty and the territorial and administrative integrity of China. That undertaking was never intended to deprive the people of China of the right of self-determination. From this it necessarily follows that signatories cannot be disabled from recognizing such a fait accompli, as required by the necessities of international intercourse. Again, Article X of the Covenant of the League of Nations is an engagement to respect and preserve the territorial integrity of members of the League "as against external aggressions." But if it is by internal developments that the territorial integrity of a member is impaired, there is nothing in the Covenant to interfere with the right and duty of members to recognize that impairment. To hold otherwise would be to deny the basis on which

many European and most American States subsist.

CHAPTER V—CONCLUSIONS

The following positions have now been advanced:

(1) That China has, since the Revolution of 1911, fallen into a condition of confusion bordering upon anarchy, and remains in the same condition at the present moment; that so long as such a state of affairs persists China may properly be considered as in a condition of national disintegration, and that at least under present circumstances it is entirely impossible to tell when China may come to have a strong and permanent central government, even if we grant the ultimate possibility of that event.

(2) That because of the fact that such a state of affairs prevails in China, foreign lives and property cannot be afforded adequate protection, and that especially in recent years the situation has been aggravated as a result of the intensification of internal conflict and the operation of the so-called "revolutionary" foreign policy of the Kuomintang directed against foreign powers.

(3) That consequently foreign powers have continued to exercise exceptional powers and privileges in China of a character now without parallel elsewhere in the world, such as extraterritorial jurisdiction, settlements and concessions, the maintenance of garrisons and the permanent stationing of warships in inland waters.

(4) That while all foreign powers having interests in China have suffered from the anarchical condition and the anti-foreign policy of China, Japan has suffered by far the most severely.

(5) That Japan stands in the most intimate relation, geographically and historically, to Manchuria; that she possesses in that region important treaty rights, besides vast economic interests, while great numbers of her people are settled there; that, moreover, the question of her own national security makes Japan vitally interested in Manchuria both from a political and, in fine, strategic point of view; that Japan's position in Manchuria is an altogether exceptional and special one, unparalleled in other parts of the world.

(6) That of late years the former Manchurian authorities resorted to various intrigues with a view to undermining this special position, and that after the rapprochement of General Chang Hsueh-liang with the National Government the encroachments of the Manchurian authorities upon the rights and interests of Japan, despite Japan's earnest efforts to ameliorate the situation, became increasingly frequent and flagrant, producing an alarming state of tension.

(7) That it was in this strained atmosphere that the event of Sept. 18 occurred; that none of the measures taken by the Japanese Army at the time of the incident, or subsequently exceeded the limitation of the right of self-defense; and that Japan must on any impartial consideration be pronounced to have done precisely what any power would have done in similar circumstances.

(8) That Manchuria has always occupied a separate position, historically as well as geographically, in relation to China proper, and that its inhabitants bitterly resented the tyrannous rule of the Changs and opposed the latter's policy which dragged Manchuria into the civil turmoil of China proper; that from this geographic and historical circumstance, coupled with the popular opposition to the Chang family, there sprang the movement known as "Preserve the Frontiers and Give Us Peace"; that the foundation of Manchukuo was accomplished by the spontaneous action of the Manchurians, with this movement, coupled with the Manchu restoration movement as its mainspring; that Manchukuo is making steady progress, guided by sound policy, and has a highly promising future before it; and finally, that the attitude of Japan toward the establishment of Manchukuo and her eventual formal recognition of that State do not violate any international engagement whatever.

The fact must be thrown into relief that the Chinese problem and especially the Manchurian problem, are characterized by exceptional complexity and by abnormal features, which render it difficult to apply the formulae commonly employed in dealing with international questions under ordinary circumstances. Nor can the procedure employed in handling such an abnormal question, nor any solution that may eventually be reached, establish precedents for ordinary cases of international dispute. To cite the Report: "This is not a case in which one country has declared war on another country without previously exhausting the opportunities for conciliation provided in the Covenant of the League of Nations. Neither is it a simple case of the violation of the frontier of one country by the armed forces of a neighboring country, because in Manchuria there are many features without an exact parallel in other parts of the world." (p. 129).

On the basis of this fundamental position, a few remarks may be made on some of the points contained in Chapters IX and X of the Report.

Respecting the solution of the restoration of the *status quo ante*, as calculated merely to invite a repetition of the difficulty, the Report, nevertheless, considers the maintenance and recognition of the present régime an equally unsatisfactory solution. The Japanese Government, on the contrary, are firmly of the opinion that such a solution would contravene none of the principles of international obligation, would satisfy the aspirations of the Manchurians, and would probably come to be realized as the only satisfactory basis of stable relations by China herself. The dissolution of the new State, which is making rapid and healthy progress, or even its international isolation, can never be a course adapted to "the realities of the situation," to use the language of the Report.

Japan cannot afford to leave her relations with Manchukuo in a state of in-

stability. She accordingly considers that the general recognition of Manchukuo, and a general cooperation in its development, are the only means of stabilizing conditions in Manchuria and of bringing peace to the Far East. It is believed that any other country placed in Japan's position would have come to the same conclusion, and followed the same course as herself.

It was for these reasons that her government signed the Protocol of Sept. 15, which is based upon the above essential conditions.

A foundation has thus been laid for the protection of Japanese rights and interests, for the preservation of the territorial integrity of Manchukuo, and for the assurance of Manchurian safety against external and internal menaces.

The Report, in a striking passage, alludes to the salient features of the situation, that the "position is not static." The "process of evolution" and the fact that "events * * * are still developing from day to day" (p. 132) indicate that it is the function of the League Council to take account of these developments. In studying the Report with due regard to the view thus expressed by the Commission, the Council must necessarily desire to have full information regarding current events (which in point of fact will be found to exhibit continued confusion in China proper and steady progress on the part of Manchukuo). Such information the Japanese Government are always ready to supply within the limits of their power.

As regards certain practical suggestions which are put forward in Chapter X, the remark of the Report that "it is not the function of the Commission to submit directly to the governments of China and Japan recommendations for the solution of the present dispute," is approved as a proper one, in view of the Commission's terms of reference. It is clear that the suggestions are merely intended as an illustration of one way in which the general principles advanced in Chapter IX might be applied. Besides this, it is apparent from the manner in which the Report deals with the possible eventuality of the early recognition of Manchukuo by Japan, that its authors considered that in such a case the importance of their suggestions would be considerably diminished, for they make only the vague observation that they "do not think their work would thereby have been rendered valueless," and that its suggestions might still be "helpful." On this view of the matter the following remarks may be ventured:

(a) As we shall see, Principle 10 laid down in Chapter IX of the Report would be liable to result in an international control of China proper. In the same way, the present suggestions would amount in practice to a disguised international control of Manchuria, and could not be acceptable either to Manchukuo or to Japan.

(b) They appear also to be too refined and intricate, and not adaptable to the realities of the Far East. Such a plan as is advanced by the Commission calls for the minimum requirement that the different parties shall each possess the *sine qua non* of a strong stable government. To attempt to apply these suggestions to the solution of the Manchurian question, which is one of unprecedented complexity, and one in which one party does not possess a strong and reliable central government, is to make confusion worse confounded.

(c) Nor is it considered practical to demilitarize Manchuria, and maintain peace and order by an international gendarmerie.

It is questionable whether even in Europe order could possibly be maintained throughout so vast a territory by such a system. It could never satisfy the Manchurians, and it would be a source of great anxiety to the Japanese Government, as it would foment unrest and disturbances in Manchuria, which is exactly what Japan desires to avoid. It would make matters worse than the restoration of the *status quo ante* which is rejected by the Report itself.

So much for the concrete suggestions of Chapter X. As regards the more abstract principles of Chapter IX, on which these tentative suggestions are based, certain of these, to which Japan has no fundamental objection, have found concrete application in the Protocol signed by Japan and Manchukuo. But in any view of the matter, it follows from the tenth and last of these priciples that the other (and especially those numbered 4 to 9 inclusive) cannot be applied "without a strong central government in China"; and therefore there can be no question of their application as long as the present anarchical state of things persists. Nor is any such strong central government at all likely to be formed without international cooperation, which is scarcely conceivable (apart from technical assistance) without some form of international control. In any case, no such reconstruction of China could be effected without a long delay which it is impossible for Japan to contemplate.

Any scheme which would tend to destroy that condition of peace and order which is now in process of restoration will so irresistibly usher in a new era of disputes and difficulties. Would it not then be better statesmanship to work at least for the stabilization of conditions in Manchuria? Should not the world, which has manifested so much patience and sympathy for twenty years in the case of China, begin to entertain sentiments of understanding and hope concerning the new State of Manchukuo? The settlement of the Manchurian question will pave the way for the settlement of the far greater question of China. It can hardly be doubtful that the advent of peace and a good and efficient administration in Manchuria will set an example for China's imitation and divert her domestic and foreign policies into sane and moderate channels, not only bringing happiness to the Chinese people but allowing other nations to share in the resultant benefit.

CURRENT HISTORY

FEBRUARY 1933

Borah and World Politics

By ALLAN NEVINS

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ON March 4 a number of our best-known Senators will take down their black wide-awake hats from their office pegs, fumble in their pockets for their tickets and vanish from Washington for years to come, if not forever. Some of them will be missed—with a sense of relief. Immediately thereafter marked changes will occur in the committee organization of the Senate. In particular, William E. Borah, now approaching 70, his shaggy brown mane long since tinged with gray, will turn over the chairmanship of the Foreign Relations Committee to some successor—presumably Claude A. Swanson of Virginia. Borah is now in his fifth term, for he has been in the Senate ever since the muckraking days of 1907, when he arrived with all the laurels of his prosecution of Big Bill Haywood, Moyer and Pettibone fresh on his brow. For seven eventful years he has been chairman of the Foreign Relations Committee. The remainder of his term he will presumably serve in a less conspicuous station, and the fact offers an opportunity for a review of the road which he has traveled in his labors with foreign affairs.

Of recent years a somewhat exaggerated view of the importance of the Foreign Relations Committee has been current, especially in Europe. This misapprehension is founded primarily upon the rôle which the committee played in the years 1919-20, in the defeat of the peace treaty and the League of Nations. In the strategy by which Senators Lodge, Knox and others delayed the treaty, worked up prejudice of a thousand kinds against it and the allied nations, and finally destroyed much of President Wilson's handiwork, control of the committee was of primary importance. It seemed to many observers that this body was actually in charge of American foreign policies and that its head exercised a sort of dictatorship over our international relations. This impression was accentuated when Chairman

Lodge used his position to deliver a wanton insult to Japan, and to shelve the World Court completely despite the rather feeble pleadings of both President Harding and President Coolidge.

The truth is, of course, that the Foreign Relations Committee has nothing to do with the formulation of foreign policies. The conduct of American external relations rests entirely with the President and Secretary of State. It is only when their policies come before the Senate in a treaty, convention or bill that the Foreign Relations Committee possesses any authority over them. President Wilson initiated all the great steps on foreign policy during his administration. Presidents Harding and Coolidge, aided by Secretaries Hughes and Kellogg, did so during their terms. These four last-named leaders were strongly influenced by the isolationists of their party, but the isolationists had no necessary connection with the Foreign Relations Committee. It is true, to be sure, that Presidents frequently consult the chairman of the committee. Borah has been so consulted many times, and with his flair for publicity has never failed to let the world know of the fact. But this is a matter of practical politics entirely. In the past Presidents have largely ignored the Foreign Relations Committee, and Grant summarily deposed its chairman, the powerful Charles Sumner, when he proved unruly. In ordinary times the committee amounts to much less than foreign observers, dazzled by Senator Borah's talks with M. Laval and Signor Grandi, suppose.

Nevertheless, the prestige which it has attained since the World War is in some measure a tribute to the powers of the late Senator Lodge and Senator Borah. These two men secured their authority by very different gifts and methods. Lodge, calculating, vindictive, and deeply prejudiced on almost every subject, was a master of intrigue and manipulation. He fought his battles largely behind the scenes. Never a man who commanded general popularity or admiration, his power lay almost entirely within the Senate and its back-rooms. He profited by the wave of revulsion against the war—by the fact that Americans were tired of idealism, tired of foreign enterprises, suspicious of Europe, alarmed by the racial antagonisms in the nation. But he never aroused mass feeling himself, and his principal talent was for laying plots, playing upon rancors, manoeuvring groups and individuals into joint action, and thus keeping at least a third of the Senate behind his designs. He had a mind that was both narrow and closed, and he never changed his opinion about anything.

Borah's personality is in every way different. Frank, honest, quite incapable of plots and manipulations, he has founded his power upon open discussion. He could not make up a cabal if he would, because his Senatorial associates distrust him as a wayward, incalculable and fiercely independent soul. They know that far from being a hatcher of Machiavellian schemes, he seldom works long with even a dozen other men. But by his candor, integrity and courage, all conjoined with rare intellectual power, he has won a strong following. He is a formidable fighter on the Senate floor. When he speaks, the whole nation listens. He differs again from Lodge in making few enemies, for he is never personal, rancorous or bitter in his encounters. He differs still more in the openness and flexibility of his mind, and in his ability to change and grow.

It follows from all this that his loss of the chairmanship of the Foreign Relations Committee will result in no great diminution of his influence. He was not chairman when he performed his greatest single feat, that of compelling the Harding administration—because despite President Harding's subsequent denials he probably did compel it—to issue a prompt call for the Washington Naval Conference. He need not be chair-

man to perform similar feats in the future. When he makes a speech it will still have the applause of the radical weeklies and the ear of the West and of Europe. At bottom, his power is that of an intensely earnest and sincere soul, possessing a vibrant patriotism and a strong feeling for the common man, and all the more picturesque because he is erratic. This power he exercises quite independently of any office—least of all a mere committee chairmanship. It was not because of his chairmanship that M. Laval sought him out, and that his utterances in favor of revising the peace treaties, especially as to the Polish Corridor and Hungarian boundary, were heard in Berlin and Warsaw. It was because his candor, energy, and eloquence have made him the one Senator who comes anywhere near holding the place which Clay and Webster held before 1850. By nature he is far better fitted to work as a minority leader than with any majority.

The best light in which to view Mr. Borah's chairmanship of the Foreign Relations Committee is as a continuous and effective educational influence upon Mr. Borah. There can be no doubt that it has been just that. There can be no doubt also that he needed the education badly, and did so for reasons which have not been generally or clearly understood.

In foreign affairs, as in domestic matters, one easy explanation of Senator Borah's devious course has always been that he is naturally a dissenter, a destructive statesman. We are told that he has a passion for wreckage; that no one since Jerry Simpson has been so prompt in attacking other men's schemes and so weak in suggesting substitutes. He has also been accused of a certain vanity in always taking the negative side, in posing as a "no man" in a period all too full of "yes men." In both accusations there is a measure of truth. Borah has always made it clear that he does not wish to be a constructive statesman in the sense of constructing useless machinery, making two laws blossom where one blossomed before, and erecting new commissions, bureaus and institutions whose chief function will be to hedge in the human soul. He has the frontiersman's simple distrust of too much law and too complex a government. He has also made it clear that he believes too few Senators say "no." "It is far simpler to agree than to disagree in Washington," he once remarked. "If there is an atmosphere in God's world that weakens a man's backbone, it is the Washington atmosphere. The deleting process is constant and drastic." He has built up a defensive tendency to take the opposition side whenever he sees that the Senatorial herd is moving in one direction.

But no easy formula of dissent explains Mr. Borah. His course is much too complicated, and his work contains too much that is constructive as well as destructive. If he says no at one time, he has proved himself willing to say yes at another. It is true that he helped, with unfair weapons, to defeat the League. But he was the first important statesman to espouse, as early as 1922, the doctrine of the outlawry of war; and the subsequent development of that principle in the Kellogg-Briand pact and the so-called Stimson Doctrine proves it a constructive idea of importance. He made a strenuous fight a decade ago against the debt settlements with France and Italy, apparently on the ground that the more severe settlement with Great Britain fixed a standard to which the other nations should be held. It is now clear that he was wrong. The French and Italian settlements were better than the British settlements; if anything, even they were too severe. Yet Borah has gone far toward admitting that he was wrong, and no prominent American politician today takes a more constructive or generous attitude toward debt revision than does he. He has preached in the most em-

phatic terms the importance of debt readjustment to world recovery, and provided certain conditions which he believes fundamental to world recovery are met, such as a greater limitation of armaments, he is willing to go far in a reduction of payments. Borah has opposed the World Court, but he has not asked, as some suppose, a complete and utter rejection of that tribunal. On the contrary, he has repeatedly indicated his belief—a belief that to many seems ignorant and erroneous, but is unquestionably sincere—that once a body of international law has been built up a world court will then be proper, but only then. He has made a number of constructive suggestions regarding disarmament. One of the most recent, the plan of a five-year naval holiday, was immediately endorsed by President Hoover. His advocacy of American recognition of Russia has thus far proved abortive. Three Republican administrations have disregarded it, and till lately his principal convert was no one more impressive than Ivy Lee, but it is based on arguments that are certainly "constructive." To talk of Borah as if he were merely a wrecker is absurd.

Another easy explanation of the puzzling aspects of Borah's course is that they are a natural expression of the Western spirit. Born in Illinois, educated at the University of Kansas, a lawyer in Idaho, he has been imbued, we are told, with the isolationist sentiment of the frontier. In this interpretation there is also a measure of truth, but if pushed very far it becomes fallacious. Other Western leaders, like Porter J. McCumber of North Dakota, Knute Nelson of Minnesota, and Franklin K. Lane of California, have been vigorously opposed to isolationist views. The West is now, and probably always has been, open-minded on the question of our relations with Europe. It knows that its products must be sold in Europe if it is to become prosperous. It realizes that any European war or depression must profoundly disturb its economy. It is quite as willing to listen to reasonable and courageous arguments on American international responsibilities as any other section. In any event, Borah has for twenty-five years been more of a resident of the East than the West, because he is often to be found in Washington between sessions; and there is no Senator in the country who acts with greater independence of his constituents. He has defied them again and again, as when he voted against the woman suffrage amendment after Idaho women had held the ballot for fifteen years.

The fundamental weakness in Borah's initial approach toward foreign problems has lain deeper than any of these surface explanations would indicate. It was rooted in a basic conflict between his mind and his emotions. If examined closely his record is seen to be that of a man who wished to be a complete realist but was unable to escape certain highly romantic prepossessions. No Senator, strange as it may seem, prides himself more on his devotion to principle and his obedience to logic. He is the sworn enemy of sham and shilly-shallying; he follows the truth no matter where it leads—or so he believes. But, as a matter of fact, he has clung desperately to a few unrealistic and illogical convictions which were implanted in his mind early in life and nurtured by his Western environment. In some ways he is refreshingly clear-sighted. When the marines were withdrawn from Nicaragua he remarked incisively that the United States got out because trade was declining and the economic motive weakening. He sees our Caribbean "imperialism" in as dry and harsh a light as any European. But on other subjects his logic long shivered to pieces against a few unconquerable emotions.

These emotions may be divided into three groups. One is that Europe has a set of primary interests that are

wholly different from our interests; that the designs of European nations are usually sinister; and that European diplomacy is skilled in overreaching younger and more honest peoples. Much of his opposition to the League of Nations was based on this belief. Ah, he exclaimed, how quickly such an association will corrupt us! "Korea, despoiled and bleeding at every pore; India, sweltering in ignorance and burdened with inhuman taxes after more than a hundred years of despotic rule; Egypt, trapped and robbed of her birthright; Ireland, with 700 years of sacrifice for independence—this is the task, this is the atmosphere, and this is the creed under which we are to keep alive our belief in the moral purposes and self-governing capacity of the people." The next few years saw Great Britain freeing Egypt and Ireland, and devising a free constitution for India, while the United States proved its moral purposes and self-governing capacity by the scandals of the Harding administration. A little association with the League of Nations might not have ruined us.

But Borah's beliefs on this head remained unshakable, because they were linked with another of his emotional convictions—that the fathers of the Republic, who taught the little nation of their day to beware of European entanglements, were a group whose wisdom has never been equaled in any country or any era, and whose admonitions to their own time must be followed by uncounted generations. For years Mr. Borah's favorite method of annihilating an opponent was to thunder that "the fathers understood the science of government as no other single group of men ever understood it." For years he felt that he had an especial clairvoyance into Washington's mind. "His idea," declaimed Mr. Borah in 1919, "was that we never could become a nation with a national mind, a national purpose, and national ideal until we divorced ourselves from the European system." The suggestion that not all eighteenth-century ideas fitted the twentieth century was treason to Senator Borah. He could never force his mind to give it honest scrutiny because his emotions stood in the way.

The third and most important of Borah's early prepossessions, allied with these others, was that the United States needs, above all, a fierce nationalistic patriotism. His nationalism was a doctrine current among Progressives after 1912, and he held on to it tenaciously. It led him to assert that "if the Saviour of men would visit the earth and declare for a League," he would oppose it. "It is a question of policy for my government, and I will decide regardless of individuals. * * * What we need in this country is the fostering and strengthening of the national spirit. The League is the first step in internationalism and the sterilizing of nationalism." More than one of his early speeches was devoted to the same militant gospel preached by Roosevelt. "Are we, indeed, yielding our Americanism before the onrushing tide of revolutionary internationalism?"

In other words, Senator Borah found it necessary to combine a set of conservative traditions, drawn from the distant past, with his progressive tendencies; he had to weaken his realistic appetite for truth and fact with these old romantic preconceptions. Here lies the explanation for all his inconsistencies and waverings. He was the victim of utterly contradictory principles. His fidelity to early sentiments led him to preach nationalism and isolation—two forces logically allied with militarism, imperialism, high protective tariffs, world jealousies and heavy armaments, all of which he detested. He rejected savagely all ideas of internationalism and the one really practical working plan for world cooperation. Yet with these rejected ideas and plans are bound up international peace, international ad-

judication, military disarmament, economic disarmament and international planning to solve social and commercial problems. He was slow to realize how rapidly the modern world moves and how vast a change has overtaken the United States in its development from a weak agricultural nation of 3,000,000 into an immensely powerful, wealthy and closely knit nation of 125,000,000 people. His robust sense and honesty constantly required him to face the facts of America's present-day position in a world where a Wall Street crash shakes Europe and where European poverty means forty-cent wheat in the Mississippi Valley. But his romantic preconceptions required him to stick to Washington's ideas of 1797 upon America's place in the world. Such naïveté is deplorable, but plenty of others are equally naïve in their refusal to see the relationship of the forces which govern foreign affairs, to comprehend that isolation and nationalism in the long run must defeat disarmament and peace.

Mr. Borah is not afraid of apparent inconsistency as such. He opposed the woman suffrage amendment on the ground that it violated States' rights and advocated the prohibition amendment on that very same ground. He was against all bonus legislation, but supported the plan of direct Federal grants for the relief of the unemployed. He was against child labor, but opposed the child-labor amendment. He dissented from our Caribbean policy, but voted against the Isle of Pines treaty and the payment of an indemnity to Colombia for Panama. Nevertheless he wishes always to remain honest and to keep an open mind, with the result that his service as head of the Foreign Relations Committee has witnessed a steady weakening of his romantic notions and a steady extension of the field in which his logic really plays.

The tokens of this changing attitude are numerous. He has consented to a new tone toward Europe. When he first became chairman, he remarked: "I should add little to my knowledge by infrequent, brief trips to Europe. It is often wiser to stand off and obtain a clear picture. One might become merely confused by first-hand information." Since then he has been abroad and acquired a new esteem for first-hand information. He no longer speaks of the European democracies as a gang of criminals. Similarly, he has taken a new and less impatient tone regarding disarmament. He recently remarked that he thought he fully appreciated the position of nations which lack the natural security given the United States by its geographical position, history and power. In the past two years his stand upon reparations, war debts and the economic problems of the world has been steadily liberalized. As early as M. Laval's visit to the United States in October, 1931, he had the courage to say emphatically that he favored a cut in the war debts if a proportional cut were made in reparations. In this spirit he hailed the results of the agreement at Lausanne to reduce German payments to a trifle. Repeatedly during 1931 he told audiences—as at the opening of the drive of the American-Jewish Joint Distribution Committee—that the world's peace and happiness, including America's, depended upon the rehabilitation of Europe. Early in the world depression he seemed chilly toward proposals for American participation in a general study of economic problems, but in his radio speech of July 23, 1932, he urged the calling of an international conference to consider world recovery, and both the European and American press hailed his change of views.

Most striking of all, in some ways, is the changed tone in which he has sometimes of late spoken of the League of Nations. It is reported that in private conversation he has praised it cordially. When asked in 1928 if the Kellogg pact would interfere with

the activities of the League, he delivered an emphatic denial. "It would not interfere with the League at all," he said. "On the contrary, such an agreement would greatly strengthen the League. The prevailing war system is itself the greatest obstacle in the pathway of Geneva. With war delegalized between the great powers, it would soon be possible to obtain a universal treaty completely outlawing war as an instrument of policy in international affairs. Then and only then will the League be free to concentrate upon its constructive and beneficent functions." This admission that its functions are constructive and beneficent marks an impressive step forward since 1919.

The simple fact is that an intelligence far less incisive than Borah's, a mind far less open, would have become convinced by now of the utter bankruptcy of the isolationist and nationalistic policy which the irreconcilables decreed in 1919-20, and which the Harding, Coolidge and Hoover administrations tried to follow with such disastrous results. That policy in its extreme form proved unworkable within a few years. The attempt of the Harding administration to ignore the League and turn its back on cooperation with Europe quickly broke down. It broke down because the League and the new recognition of world unity were the result of years of activity in which the United States had actively shared. They were the outgrowth of steady and indefatigable labors in which Hay, Root, Roosevelt and Taft, as well as Wilson, had participated. Cooperation represented an essential and unescapable continuation of American policy. Its driving force crushed all obstacles, and the Coolidge and Hoover administrations scrapped more and more of the old attitude. Vestiges of the impossible scheme of isolation—particularly the economic nationalism that we carried to such a preposterous point in the Smoot-Hawley tariff—have had much to do with causing the present plight of the United States and other nations. The advent of the Roosevelt administration will, it may be hoped, mark a decisive turning point. The wreckage can be cleared away; a new and better foreign policy can be built on the old foundations. There is good reason to hope that in this process Senator Borah may furnish important aid. Doubtless his course will in large part continue to be unpredictable and apparently capricious. But he now believes in cooperation. He has learned much in recent years, and he has the ability not only to learn more but also to help bring lagging opinion up to any advanced stand that he cares to take.

The Outlook for Recovery

By RALPH WEST ROBEY

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MONTH after month of deflation and business liquidation in the United States has made it increasingly evident that the old artificial prosperity of 1929 has definitely passed. For the first year or two after the downward trend became apparent the American public held to the belief that there would be a quiet return to the old level and that there would be no necessity of stabilizing conditions at a lower point. Gradually, however, this hope has been dissipated through the failure of one plan after another to stop the downward swing. Now it is rather widely realized that prosperity can be restored only by establishing a new equilibrium in the economic system.

The view we take today of the business situation depends primarily upon our opinion of how nearly this new equilibrium has been established. There is strong reason to believe that in certain broad fields all the necessary liquidation has taken place. For some months the business structure as a whole has given an indication that it has more or less completed its readjustment. To this there are of course notable exceptions, but the tenacity with which the principal business curves have held above their lows of the Summer of 1932 can be explained only on the basis that a large portion of this section of the American economic system has completed its housecleaning. In the security markets and in wages, too, it seems that most of the necessary deflation has been completed. This does not mean that security prices are going to continue at their present levels or that further wage readjustments are not needed; rather, it means simply that the superstructure of credit built on securities and the rigidity given to production costs by high wages have disappeared.

On the other side of the picture there are several extremely important branches of the economic system in which the liquidation has not been completed. Railroads are an outstanding example. Here, government credit has been used to prevent any real readjustment and the same thing is more or less true throughout a large portion of the financial system. Many of the banks have put themselves in good shape and today are well prepared to meet any demands that may be made upon them, but thousands of other institutions are still engaged in fictitious bookkeeping and show a state of solvency only because they have failed to write off their losses and because they are carrying their bonds at artificial values. A comparable artificiality is present in insurance. Real estate mortgages, both urban and rural, also are still faced with a difficult period of readjustment. Something has been done through foreclosures but, by and large, there is here still a large element of gambling on a return to the 1929 price level and an insistence that it is unnecessary to put through a revaluation similar to that carried out in general business. Finally, among those parts of the economic system which have not completed the necessary liquidation are governmental expenditures. The troubles of the Federal Government and a few of the more important cities in reducing expendi-

tures and balancing their budgets are well known. Many States and hundreds of municipalities are faced with the same difficulty, because on the whole almost nothing has been accomplished in deflating public expenditures.

If one adds to this list the numerous broader economic problems, such as war debts, the restoration of international trade through tariff reduction, the overhauling of tax systems, and the caring for the millions of unemployed, it is easy to regard the future as dark and gloomy. But such a point of view fails to place proper emphasis upon what has already been accomplished. The road before us of course is hard and tortuous; yet the fact remains that now for the first time we can begin to see its end. Today one may say with conviction that it is possible that the worst is over, though having said this, one must hasten to add that stupidity may drive us to still lower levels through introducing measures which, while giving temporary relief, will later lead to greater difficulties.

In the years immediately preceding 1929 a situation developed which no economic system could tolerate; the depression has simply meant correcting this condition. Long before the stock market crash in 1929 it was evident that there would have to be such a correction, but, because the duration of inflationary movements cannot be foretold, the question always remained as to when it would begin. The significant thing is that gradually over a period of years an economic burden was created which eventually was certain to become unbearable.

This burden, in general terms, arose from a confusion of productive capacity with productive efficiency. The distinction between the two is fundamental in the organization and operation of any economic system. Productive capacity refers only to the physical output; productive efficiency is the physical output combined with the cost of manufacture or the price at which the product can be sold. The specific basic error before 1929 was to believe that a mere expansion of productive capacity alone was necessary to insure prosperity. That there must be a market for the additional output and that this market can be assured permanently only by keeping a workable equilibrium between different lines of production was overlooked.

When the situation is pictured in this way, it is evident that prosperity could not last. But why, if this is true, was the danger not apparent before 1929, and why were no corrective measures taken? The answer is simple. A growing lack of balance was hidden by providing artificial purchasing power through large extensions of credit. With this credit the public absorbed the additional output of productive equipment, and on the surface it appeared that equilibrium was being maintained. But if we are to understand the present depression it is important to distinguish between the artificial purchasing power used to take the surplus output before 1929 and real purchasing power. Every one recognizes that there is no such thing as general overproduction, and that the American public, in fact the whole world, is capable of consuming far more commodities than it did in 1929. We know that we have not reached the limit of human wants, and that, ability of consumers to buy goods being granted, the average standard of living will be raised substantially above anything yet known.

The crux of the matter lies in the provision of the purchasing power necessary to take a larger volume of commodities. There are only two ways of doing this. One is sound and permanent; the other can be only temporary and is certain ultimately to lead to trouble. The sound method is to increase the efficiency of each individual or productive unit. Then, with a given expenditure of energy, say one day's work, there will be more

to trade to other people for the things which they have. If the output of any one commodity does not exceed the desires of the rest of the public for this article at the price at which it is offered, there are no limits to this process of increased efficiency. As a matter of fact, exactly such an increase has made possible the rise in the standard of living during the last century. The only requisite for continued improvement through this process is the maintenance of the proper balance between the production of different commodities.

The second method of providing the public with purchasing power is through credit. Within certain limits this is perfectly safe, but it is possible to carry it so far that it undermines the entire economic system and forces extensive readjustments. This possibility is the result of the credit system we have developed. In current jargon, the extension of such unsound credit is inflation. For the present purpose this term and the indefinite meaning assigned to it in popular discussions are sufficient.

Inflation is roughly of two sorts. The first is that which is exercised for the purchase and consumption of goods. An excellent example of this was provided during the war when the Federal Government borrowed billions of dollars. The use of this purchasing power raised the wholesale price level to two and one-half times that of 1913. The second kind of inflation is that which is brought about for the expansion of capital equipment—the kind employed to an unusual degree in the years immediately before 1929. Through the ease with which funds could be obtained, because of the great speculative activity, industrial organizations expanded their productive capacity to unheard-of heights. At the same time vast sums of artificial purchasing power were extended both at home and abroad for the purchase of the greater output.

Both types of inflation created debt; such a development, in fact, is the very essence of inflation. Gradually the debt burden became heavier and heavier, but as long as additional borrowing was possible the burden was bearable, just as Ponzi, some years ago, was able to pay enormous rates of interest to his investors as long as funds continued to flow in from new subscribers to his "get-rich-quick" offer. In time, however, points of strain developed and when these became sufficiently widespread the whole artificial superstructure of purchasing power collapsed. It started early in 1929, and became unmistakable with the stock market crash in the Fall of that year.

After the collapse was once well under way it was useless to try to stop it. The credit superstructure was nothing but a mass of debts. In effect everyone was giving promissory notes for goods bought, and accepting promissory notes for goods sold, or to put it another way, mere debt-vouchers were being used as the medium of exchange. As long as there was an ample supply of them and everyone was willing to accept them, it was a merry state, and "a good time was had by all." But presently, in the midst of the party, someone not only refused to accept any more of these playthings of prosperity but went still further and insisted that those that he already held should be paid in real money. The people from whom he thus demanded payment had nothing but other promissory notes. Therefore, in turn, they had to demand payment. And so the process has continued and must continue until the artificiality is eliminated and actual values are substituted for poker chips.

Expressed in more accurate terms, the liquidation must continue until an equilibrium is reached at which goods produced can be purchased without the aid of an ever-increasing debt burden—the fundamental condition under which goods and services are bought and paid for only with

other goods and services. Debts will continue to be incurred, of course, but these debts must be kept within reasonable limits. Specifically, this means that the increased productivity resulting from the creation of the debt must be sufficient to liquidate the obligations. Only on such a basis has any country ever been able to enjoy genuine prosperity.

Unfortunately those in responsible positions did not recognize this elementary truth of economic science. If they had, the country would have been saved untold suffering and today might be well on the road to better times. American financial and industrial leaders, and especially the Federal Government, could have been of genuine aid if they had realized the nature of the problem, but in that they failed. Instead of taking the position that it was their function to assure an orderly liquidation they have insisted that no liquidation was necessary. In blunt terms, this means that the "new era" economics of the 1929 prosperity has continued to plague the nation throughout the period of readjustment.

From the time of the stock market collapse through 1930 it was maintained that nothing serious had happened or would happen. The sudden downward trend was viewed as quite temporary. Business itself, according to those in authority, was "fundamentally sound." There was no occasion, therefore, for any curtailment in either private or business budgets because there would soon be a return to the old levels. On every side people were encouraged to spend money and make plans as before. This period of Couéism lasted until well into 1931.

But about the end of 1930 the public at large began to realize that something more than a temporary flurry was taking place in the business world. The conviction grew that self-hypnotism was of little aid if a man lost his job or if the bank in which his funds were deposited failed. Accordingly, a new "approach" to the depression was sought. Thereupo the nation's leaders, instead of sayin that nothing had happened, began t admit the existence of the depressio and to devise "certain cures." Bu even this change was only on the sur face; underlying belief in the "funda mental soundness" of the business an financial structure persisted, alon with the expectation of a return t the 1929 level in the near future.

During this phase of the "new era analysis of the depression, panacea became the order of the day. Th Hoover moratorium on inter-govern mental debts in June, 1931, led off In rapid succession during the nex few months there followed the Na tional Credit Corporation, the Recon struction Finance Corporation and th Glass-Steagall act. The first of thes was a cooperative scheme on the par of the banks for loans to those insti tutions which found themselves in dif ficulties. Its greatest contribution however, was to provide a basis fo ballyhoo at a time when public con fidence was at a low ebb. The Recon struction Finance Corporation, also provided an admirable subject for bal lyhoo, although it was more substan tial than that. With the huge re sources at its disposal and a willing ness to lend to banks and railroads, i offers an effective method for the so cialization of losses. The Glass-Stea gall act, while advertised to the public as a means to meet foreign withdrawals of gold, was really for the purpose of enabling the Federal Reserve Banks to pump fantastic sums into the money market to force credit expansion.

The next legislative act widened the powers of the Reconstruction Finance Corporation, permitting it to make advances to practically anything as long as the project would give employment and was undertaken by a corporation rather than an individual. At the same time the building program of the Federal Government was enlarged and it was provided that States could borrow for poor relief.

The last of the great legislative

manifestations of "new era" economics was the passage of the Federal Home Loan Bank bill, which provided an assurance, so it was said, against the loss of homes through foreclosure. An important rider to this bill permitted the extension of the note-issuing powers of national banks through widening the list of United States bonds which might be used as a basis for issuing currency. Admittedly this was an inflationary device, but perhaps it served to ward off worse measures.

Outside Congress there was equal evidence of a continued acceptance of "new era" economics. The Federal Reserve System, for example, adopted an easy-money policy through the purchase of government bonds in the belief that this would force credit expansion and restore the price level more nearly to the old high. Its total purchases amounted to $1,100,000,000 and this, according to views disseminated through the press, should have been sufficient to bring about a credit expansion of $11,000,000,000. But the expansion never came to pass and today the Reserve Banks are faced with an embarrassing problem of what to do with their government bonds.

A special committee of business men also was appointed in each of the twelve Federal Reserve districts for the purpose of "making the large funds now being released by the Federal Reserve Banks useful affirmatively in developing business." They accomplished nothing important. Finally, the Commodities Finance Corporation should be mentioned. This organization proposed to make loans of exactly the type which thousands of banks had been searching for, but it got no business.

Both the Commodities Finance Corporation and the special committees were the dying gasps of the argument that deflation should not be permitted. The public, however, has lost faith in this idea. It still listens to talk of panaceas which promise to aid recovery, though without the old avidity. People hope for and believe in a return of prosperity; they are resigned to its being accomplished by normal economic processes. There still are special groups—and some of them are very powerful—pleading for "relief," but they are meeting with little success in obtaining the support of the rest of the public. The day of panaceas, of the sort which were familiar in the first three years of the depression, is definitely past. There is still a danger that some of the special groups will be successful in their pleading, but the country as a whole has turned its back on the old six, ten, and twelve point programs which were to bring back "new era" prosperity.

Such, in brief, is the American position as the country enters the fifth year of the depression. Whether there will be a slow gradual climb on a sound basis or a drop to still lower levels will depend to an unusual extent upon the leadership of the new administration in Washington. If it is wise it will study with care the record of the last four years. If it does, one great fact will stand out in clear relief—that the basis for optimism today is found almost entirely in those sections of the economic system which the government has not "saved" and, conversely, that the greatest cause for anxiety is now found in those fields of activity which have been the heaviest recipients of Federal aid.

Technocracy Offers a Cure

By ALLEN RAYMOND
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TECHNOCRACY is a word which apparently was coined in 1919 by William H. Smyth, an engineer and inventor, of Berkeley, Cal., as the name for a new system and philosophy of government. All but forgotten, the term cropped up a few months ago in discussions that arose from sensational stories told about the work of a scientific survey at Columbia University.

This survey, conducted by a group known as "Technocracy," was said to have shown that the United States was on the brink of a greater disaster than the current depression, namely, that the capitalist order, with its price system of carrying on business, was doomed inevitably, and almost immediately, because of the amazing growth of modern machine power. Together with the certainty of fast approaching chaos, it was first reported that the little group of scientists conducting the "Energy Survey of North America" were working out from the data and laws which they had discovered a new plan for society to which also the name "Technocracy" has been given. Under this new plan, the inordinately productive capacities of the modern machine would be used for the benefit of every one, but with all considerations of prices for commodities abandoned.

By charting the energy from steam, oil, gas and water power available for such a state, the natural resources at its command, and the declining importance of man-power in production, the scientists claimed to have discovered that a vastly higher standard of living for every one on the North American Continent could be obtained with far less effort than is now expended. Poverty could be abolished. Insecurity could be wiped out. For a few days of work each week by persons between the ages of 21 and 45, under scientific management, every one in America could have a scale of consuming power measured at perhaps $20,000 a year, according to the value of the 1929 dollar.

Dollars, as such, however, would have to be abandoned. No currency based on such an inexact measure of commodity values as gold or silver is any longer workable. The "Technocrats," as they have come to be called, envisage the distribution of "energy certificates," to take the place of money. These certificates are to be based on the amount of energy, in human labor or fuel consumption, required to produce any given commodity to be bought, from cigarettes to automobiles.

The Technocrats propose to balance production of goods with consumption by giving every one the right to consume, on an equal basis, without regard to the share in production which an individual consumer has earned. In this sense, the society which they propose to set up is seen to resemble a Communist or a Socialist order. But the Technocrats are careful to disavow any connection with Communist or Socialist philosophies. They scorn both of these methods of managing society as no more up-to-date than capitalism. Capitalism, communism, socialism or fascism, they hold, are all doomed shortly to oblivion, as relics of a way of living

based on man-power. The new order of life which they propose will differ from any the world has ever known, because it will be based on machine-power, or the consumption of energy by man and the machine.

This 13-year-old word, Technocracy, began to rumble through American society last August, shortly after the first accounts of the research work at Columbia had been published. The furore it has aroused is quite understandable. The new ideas came before the public at a time when the United States was suffering the greatest depression in its history. More millions of workers were unemployed than ever before. Displacement of men by the machine during the past decade had been so striking and the marvels of new automatic machinery so self-evident, that many persons were beginning to wonder whether new industries would ever again absorb the jobless workers.

Technocracy answered vehemently that workers never again would be absorbed by new industries, as they had been in the past, and that a new age of semi-permanent leisure for nearly every one was at hand. The task before the United States, Technocracy holds, is to develop a new economic system based on leisure and plenty for every one. The age of scarcity of consumable commodities, which has plagued mankind since the fall of Adam, has passed. We are asked to believe that the centuries which demanded labor and thrift as the price of survival in an unfriendly world are ended. The machine, says Technocracy, driven by billions of kilogram-calories of consumable energy, on a continent endowed by nature with every desirable resource, has brought the United States to the threshold of a civilization such as the world has never seen before and never will see hereafter on any other continent.

Apparently the first people to take an interest in what Technocracy was saying were New York bankers, business leaders, speculators and others customarily referred to as "Wall Street." They wanted to know how much stock to take in the findings of the technocratic researchers. They wanted to know to what extent truths not generally recognized, but now being brought to light at Columbia University, were going to affect investments and commercial practices. At the same time a new personage, Howard Scott, the leader of Technocracy, its driving force, the chief intelligence working within it and director of the "Energy Survey of North America" at Columbia, began to be known to the public. He appeared on lecture platforms at universities and business men's clubs; he was entertained at country estates, and was sought out by many.

As public curiosity began to focus upon Scott and his associates, their studies and their theories, it was learned that Scott had been employed at one time in the engineering work at Muscle Shoals, that he had been for many years a student of economic theories and a debater in gatherings of the Greenwich Village intelligentsia. His associates, some years ago, included the late Thorstein Veblen, radical economist; the late Charles P. Steinmetz, engineer for the General Electric Company, and Stuart Chase, a popular writer on economic topics. This little group, corresponding and talking together, without any formal organization, had called itself "The Technical Alliance." Out of its abandoned discussions Technocracy has sprung within the last few years.

Associated with Scott in Technocracy are Frederick L. Ackerman, a New York architect, builder of several rich men's palaces and an authority on modern housing and town planning; Bassett Jones, a New York mechanical engineer; Professor Walter Rautenstrauch of the department of industrial engineering at Columbia University; M. King Hubbert, a

teacher of geophysics at the same institution, and Dal Hitchcock, an aide to Scott in publicity relations and in the conduct of the energy survey.

The energy survey has been in progress at Columbia since early in the Spring of 1932, with the financial backing of the Architects Emergency Relief Committee of New York City. This committee has provided Scott and Professor Rautenstrauch with the services of unemployed draftsmen and architects, who are enabled by the survey to obtain part-time employment. More recently the Gibson committee, New York's major agency for unemployment relief, has promised to give the energy survey the services of other men who are now jobless. Columbia University has supplied a large room in the engineering building for the work of the draftsmen and office space for Scott.

By the end of 1932 the energy survey had completed about fifty charts of basic industries; had about 300 in preparation, and had planned to chart 3,000 industries according to lines laid down by Scott.

Most of the charts being prepared by this survey deal with four things: the total production of the industry being surveyed, man-hours involved in that total production, measured against production units, total employment within the industry, and the consumption of energy within the industry. Other graphs, in some cases, deal with the measurement of units of production, as against the energy consumed in making them. Still other charts, which Technocracy is said to have prepared, deal with the rising amounts of capital indebtedness against industry as a whole and against particular businesses. Side by side with the energy survey, a considerable portion of the writings of the Technocrats deal with this growth of capital indebtedness, or overhead, upon which interest must be paid before the wheels of industry can turn profitably.

Briefly, Technocracy lays stress on three theses, which Howard Scott has been arguing for years, with few to listen: First, that wealth is a product of energy, human or mechanical, and that wealth can and should be measured in terms of energy units. Second, that the human element in the production of goods is, in this machine age, of steadily decreasing importance, so that a share in production can no longer justifiably measure human rights to consume the product of industry. Third, that our present price system has accumulated such a burden of debt that it is crushing society, preventing industry from working continuously at anything like capacity and preventing the public generally from consuming what people could easily obtain if the debt were invalidated and "energy" money substituted for the currency of gold and credit.

In connection with the first thesis, that energy is the foundation of all wealth, that it is the measure of wealth, and that the amount of energy procurable sets the limits for a standard of living in any society, Scott is said by his associates to have laid down the postulates for a "theory of energy determinants." This theory is a variation of the old Marxian idea of economic determinism, as applied to history.

Until the middle of the eighteenth century the number of man-hours required to cultivate an acre of ground, or to quarry a yard of stone, or to perform any other given piece of work remained about the same as in the earliest days of history. For over sixty centuries of recorded time the only engine whereby man's work was done was the human engine, or man himself. To be sure, there were a few tools which extended his powers, such as the wheel, the lever, the sail, and a few crude water-power engines and windmills, but in the main man's energy alone performed the work of the world.

Man's energy, like that of the machine, is derived from fuel consumption. An approximate total of all the energy used by society up to the middle of the eighteenth century would be somewhere between 1,000 and 2,000 kilogram-calories per capita daily. At this point Technocracy has entered the field of physical science, where for the layman its terms require definition. The kilogram-calorie is a measure of heat energy, and one kilogram-calorie of heat is the amount of heat required to raise the temperature of one kilogram (2.2 pounds) of water, one degree Centigrade. There are other units to measure work in the reasoning of Technocracy unknown to the man in the street, notably the erg and the joule. One joule is the amount of work required to lift a one-pound weight nine inches. One joule equals 10,000,000 ergs.

Since the amount of energy required to produce goods, the Technocrats say, is the only common measurement of all known commodities that would be scientifically accurate, the scientist must think of standards of living in terms of kilogram-calories of energy and ergs and joules of work accomplished. Dollars and cents, they contend, are not scientific measures for anything involved in the actual process of production and consumption by which mankind lives. With such ideas and definitions in mind, they turn to the capabilities of man as a human engine—or as a heat transversion unit—an energy-unit that burns food to obtain power for work. The human engine is limited in size from 150 to 200 pounds, and in total output to 1,500,000 foot-pounds of energy each eight-hour day. In other words, man is about equal to an engine of one-tenth of one horsepower that is capable of efficient operation about eight hours a day.

According to Frederick L. Ackerman, "the rate of doing work of the human engine laid down the limits of mechanical operation of any social state possessing this type of engine alone. No change in the rate of work done in any social system was evident until after the advent of technology in the early nineteenth century. The introduction of other engines of energy conversion in the nineteenth century and the discovery of new materials and new energy resources in the last 100 years have brought about a change in the rate of getting work done impossible of envisagement by any social system founded on the human engine."

After 6,000 years of about the same rate of getting work done, man in the last 100 years has created power units—like turbines—capable of doing work 9,000,000 times as fast as a human engine could do it, and, according to Mr. Ackerman, the overwhelming proportion of that multiplication of human power has been within the last twenty-five years. The result of this vast increase in energy at man's disposal is thus described by the Technocrats:

"A shoemaker of ancient Rome took five and one-half days to make a pair of shoes. A workman in a modern shoe plant produces 67.8 pairs in the same time. Brickmakers for over 5,000 years never attained on the average more than 450 bricks per day per man, a day being over ten hours. A modern straight line, continuous brick plant can produce 400,000 bricks per day per man. The ancient miller of Athens or Rome ground out between his two crude milling stones a barrel to a barrel and a half of indifferent flour. A modern flour mill in Minneapolis or Buffalo produces 30,000 barrels a day per man, with a much shorter day and a better flour. In 1929 ore was mined on the Mesaba range at the rate of 20,000 tons per man per year, and in two weeks a greater tonnage was moved than that of the Khufu pyramid at Gizeh."

With examples like these the Tech-

nocrats point to machine-converted energy as the predominant factor in getting the world's work done, with man-hours of labor dwindling by comparison almost to the vanishing point.

This multiplication of energy applicable by man today to the production of goods is the central point of all Technocracy's thinking. It is the consideration of energy as the only real wealth in the modern world that has led it to declare that the financial wealth of the world is fictitious, and in truth the very reverse of wealth, since it acts upon industry as a debt claim which, theoretically, has to be paid, but actually never will be. The solution of all the social problems of our time, according to Howard Scott, lies in recognizing that energy is wealth, and is also the measure of wealth, in ergs, in joules, and in kilogram-calories. These units of measurement were the same yesterday as they are today, and will be the same tomorrow and always. The dollar, the pound, and the franc, however, were not the same yesterday as they are today, and will be still different standards of measurement tomorrow.

From considerations such as these, Technocracy moves on to its most startling conclusion—that the advance of technology in industry has already shattered the price system beyond repair. In its simplest terms, the price system is the method of distributing things people use according to standards of monetary value. The value of goods is customarily measured in terms of currency based on gold or silver or the credit of the government which vouches for it.

The representatives of Technocracy, however, take the position that the price system places consuming power in the hands of consumers only in exchange for the consumers' labor. But labor is less and less a factor in the production of goods. Most of the work that goes into the production of goods today is done by non-human energy, and payment for this labor goes to the owners and managers of the machines by which the energy is converted.

The owners and managers of the machines are a very small proportion of the people. They obtain, under the price system, a consuming power which they cannot use. Instead of using it, they take the money which entitles them to consumption, and invest it in more machines, thereby creating still more claims to consumption which neither they nor their families nor their descendants can actually use. The result of this process is a continuous expansion of industrial plant which has already reached such a size, according to the Technocrats, that its product cannot be consumed under the price system. Consequently, we have in the world today what is called overproduction; the thinkers of Technocracy would label it, rather, under-consumption.

With overproduction or under-consumption, or a great surplus of every conceivable kind of commodity on sale at a price, the price inevitably falls until it becomes so low that it is no longer profitable for an industry to produce the goods. Production ceases. The employment of consumers is immediately curtailed. Consuming power dwindles still further. The depression becomes ruinous both to the great mass of the working and consuming public and to the small class of persons who have the machines in their charge because of capital claims rolled up against them. Leveling what they believe to be a scientific eye at this situation, the Technocrats concentrate their gaze upon the quantity of capital claims upon industry under the price system. The holders of these claims consider them wealth. Indeed, nearly every one would like to obtain more of these claims, in stocks, bonds, mortgages and other instrumentalities which are considered to be wealth. But in the view of Technocracy, these

claims are actually debt, not wealth. Wealth is well-being. Wealth is not the ownership of an automobile; wealth is riding in it. Wealth is not the ownership of a steak, but the eating thereof. Wealth, the Technocrats say, going back to their energy theories, is the consumption of energy.

The Technocrats examine the debt structure. They compare its size and growth with the size and growth of population and production and with the diminishing number of man-hours required to produce any commodity. Their conclusion as expressed by Bassett Jones is this: "The industrial debt of this country—bonds, mortgages, bank loans and all other interest-bearing amortized securities—totals about $218,000,000,000. Taxes and obsolescence included, the fixed charge on this debt is $34,000,000,000 a year—practically half the national income in 1928. Since 1840, this debt has risen as the fourth power of time. We owed sixteen times as much in 1930 as we owed in 1895. Note that population has been increasing as the square of the time. Therefore the ratio of debt to population increases as t^4 to t^2 or as t^2. In 1930, each one of us on the average owed four times as much as we owed in 1895. Note also that while debt increases as the fourth power of time, production increases only as the cube of time. It follows that the debt, which must be supported by the sale of produced goods, increases faster than these goods. In other words, the goods are 'put in hock' faster than they are produced. How long, and by what kind of financial legerdemain can such a proceeding be maintained?"

In Technocracy, it is customary to point out that the only way the capitalist order, under the price system, produces goods at all is to create a debt, or capital. Capital, for centuries, has been assumed to be tantamount to savings, and to imply such things as thrift, or self-denial in an age of scarcity so that one might have a claim against the production of the future. In the discussions of Technocracy this view of capital is held to be erroneous today, however true it may have been at one time. Capital is more and more the surplus product of the machine, rather than of human labor, or is a matter of financial credits which have no reality in the processes of production. The production of capital claims by financiers, the Technocrats hold, is merely a means of controlling production, to make industry serve the special interests of the capitalists.

These economic theories of the Technocrats are admittedly not the result of data obtained from the "Energy Survey of North America" at Columbia. The energy survey is, rather, part of an effort to demonstrate their validity, and to show the public that the price system is unworkable under conditions of modern power production. The economic theories stem from numerous sources, largely through Howard Scott, who has been a prodigious reader and who has impressed his own ideas on the group which is following him. The Bible of the Technocrats, in which most of their ideas may be read, is a little book called *The Engineers and the Price System,* by the late Thorstein Veblen. Other ideas seem to have been taken from the works of F. H. Soddy, a British scientist and Nobel Prize winner, who has assailed the classical economists for their inexactitudes. Seven years ago, in a book entitled *Wealth, Virtual Wealth and Debt* (New York: E. P. Dutton & Co., $3.50), Soddy stressed the necessity for quantitative measurement of economic phenomena, which is one of the cardinal principles of the Technocrats. He has set forth also the importance of energy, as the creator of all wealth. There are striking parallels in the words of Soddy in 1926 and the words of Scott in 1932.

"When we deal with the real factors that underlie the production of

wealth," Soddy wrote in 1926, "we can sum them up as discovery, natural energy, and human diligence. The first enters in the form of sudden and more or less spasmodic contributions which, once made, alter the whole course of history. But the two last must be continuously and unremittingly provided as long as time shall last."

Scott, the leader of Technocracy, said in a recent magazine article: "The foundation on which our present-day world stands is built of three things: discovery, natural energy and, for want of a better term, watchfulness. Discoveries cannot be predicted, but we do know how completely they can alter the course of history. But the last two—watchfulness, or the mind that oversees and directs, and natural energy—must be supplied as long as man and his fellows are to dwell upon earth."

The work of Soddy is an obvious source for the ideas of the Technocrats. As to Veblen's *The Engineers and the Price System,* Scott has said the book was written by Veblen as a result of conversations with him. This work, published in 1919 as a series of articles in *The Dial,* is an exposition of the inability of business management to produce adequately for society under the price system. It is also an exhortation to engineers to lead labor in taking control of industry and in managing it for the good of all. The writer counsels the drawing up of charts surveying employment and energy resources, and the use of the charts as propaganda for the education of the public.

Since the present discussion of Technocracy began, various critics have assailed the validity of figures cited by the Technocrats on the capacity of machine production and the machine's effect upon employment. The Technocrats have admitted minor inaccuracies in their charts, which, they say, are still in preparation. But they cling unyieldingly to their major theses, that machine power makes increasing unemployment inevitable and that the debt burden on industry can never be made good and will have to be written off.

Scott has indicated in conversation that he has definite ideas for an engineering plan whereby society may be run without any price system. Officially, however, the group has declared in recent statements that it has no plan for directing society, but is purely a research organization seeking the bases on which society may operate. In any case, by its predictions of increasing chaos if the price system is maintained, and promises of far higher standards of living for every one if it is abandoned, Technocracy has caught the nation's ear. The idea bids fair to become one of the outstanding fads of the depression era, but by provoking serious discussion it may perhaps stimulate suggestions regarding the way to real prosperity.

Is Soviet Russia a Democracy?

By SIDNEY WEBB

[The following is the fourth of the series of articles on Soviet Russia which Sidney Webb, British Socialist leader and former Cabinet Minister, has written for CURRENT HISTORY. Another article will appear in the March issue.]

UNDERLYING all criticism of the Soviet Government, indeed, fundamental to American and British understanding of its achievements, is the question whether or not it is democratic. Here, once more, we are up against the nonconformity of the U. S. S. R. to our own categories of thought. It does not help toward any accurate appreciation of this novel kind of government merely to say that it is quite different from that of the United States or that of the British Commonwealth of Nations.

Communist thinkers in the U. S. S. R. promptly disclaim any likeness between the Constitution of their own State and those of countries in which, as they put it, "formal democracy" exists. Yet they seem to have the root of the matter in them. They would agree that it is desirable to insure that the affairs of any nation should be administered in accordance with the desires of the people of that nation. They would probably go further and accept the view that both public contentment and administrative efficiency are greatly promoted if the people feel that the laws have received popular assent. And if, going beyond mere machinery, it were asserted that the most important mark of a democratic community was that it was founded on and pervaded by the principle of equality, the Communists would at once accept the proposition. What demands the serious consideration of American and British students is that the Communists of Soviet Russia unhesitatingly claim that on all or on any of these three grounds the U. S. S. R. is essentially a democratic community, and that it is, in fact, the most completely democratic of all the communities of any magnitude in the world of today.

We see, at once, that Soviet Russia has a different pattern of organization from that of the rest of the world. Instead of one representative system exercising all power, it has several parallel hierarchies having substantially a common form. Instead of the millions of citizens casting anonymous mass votes, in huge geographical constituencies, for the supreme legislature and executive, the citizens of the U. S. S. R. vote only in small groups of fellow-workers or village neighbors for one of themselves whom they know personally, and they delegate the rest of their power through indirect election. Instead of the principal positions being usually filled by rich men or by men closely allied to a wealthy class, the U. S. S. R. affords a picture of a vast community in which such personal wealth as exists plays no part either in the government or in the radio or the newspaper press, and exercises at elections no influence whatever, while every facility is provided for enabling men and women of the manual working class to take the part in government that their numerical preponderance warrants. If in Western Europe and America democracy is often hastily summed up as universal suffrage with a free press, in the U. S. S. R. it might equally be summed up as universal participation in public business in the midst of incessant oral discussion.

Let us examine from this standpoint the working constitution of the U. S. S. R. We must note, in the first place, that Soviet communism, while enormously enlarging the sphere and function of collective control, avoids the mistake of confusing the electors by mixture of issues. What exactly did the electors of the United States mean by their vote in the last Presidential election? In Soviet Russia the electors vote separately in different groups and at different dates in their fundamentally different capacities. For the election of the city council (soviet) the great mass of electors vote at their several places of work, along with their fellow-workers of all grades in the particular establishment. In the villages they vote along with their near neighbors, who have usually the same occupation. But the seventy-odd millions of registered electors for the soviets are consumers as well as active citizens; and it is in their capacity as consumers that the 72,000,000 shareholding members enrolled in the 45,764 separate cooperative societies (on Jan. 1, 1932) elect their quite distinct managing committees and exercise their control over the distribution of three-fourths of all their household supplies.

And there is yet another differentiation. These millions of citizens and consumers between the Baltic and the Pacific are, if able-bodied adults, with insignificant exceptions, also active producers, in industry or agriculture (including also administration, communication and transport, banking, social welfare institutions and all cultural activities). Such of them as are wage or salary earners are organized in forty-six huge trade unions, having a co-equal share in the government (or control of the social environment). These members vote in a separate system, which is essentially similar in pattern to that of the soviets and cooperatives. Every trade-union member votes along with his fellow-workers for the shop or factory committee of the establishment (whether factory, mine, ship, hospital, university or institute) in which he or she works. Those producers who are not paid by wage or salary and who themselves own the instruments of production are separately organized in associations of producers, either in industry (the tens of thousands of kustar artels) or in agriculture on the 230,000 collective farms (kolkos). These similarly meet in their own small groups of fellow-workers and elect their own local committees, through which they exercise their share in the collective control of their own industry throughout the U. S. S. R.

This multiplication of elections, with its separation of issues into (1) common citizenship, (2) distribution of household supplies and (3) wealth production (whether by wage or salary earners or by owner-workers), affords, it is claimed, a more genuinely effective way of enabling the millions of adults to express their desires and even exercise the control of public opinion than the general elections of the British House of Commons or the Presidential elections in the United States. It is claimed that in the U. S. S. R. a much greater number and also a larger proportion of persons actually vote and vote more frequently than in any other country.

Nor does the citizen's participation end, as it so often does in other countries, with the giving of his vote. All the elected representatives in the U. S. S. R., whether in soviet, cooperative, trade union, kustar artel or collective farm, habitually appear before their electors in open meeting every few weeks throughout their term of office to give an explanatory account of the business in which they have been occupied, to answer all questions addressed to them and to hear the complaints on all sorts of subjects that their electors freely express. Thus, in literally hundreds of thousands of small public meetings, there goes on, from the Baltic to the Pacific, an almost ceaseless discussion of public af-

fairs, to which there is in other countries no parallel. And everywhere and at all times the electors have the power summarily to recall the person whom they have elected and to substitute some one else in his place. Whether or not such an electoral system, as innocent of vote by ballot as England and America were a couple of generations ago, is admitted to be democratic, the political student must at least note the numerical extent of the participation in public business and the extraordinarily valuable political education in all branches of the control of the social environment that is thus afforded to those who are alike citizens, consumers and producers.

Based on these hundreds of thousands of separate electoral meetings, which are reported to be very numerously attended and not infrequently so full of discussion as to require adjournment to a subsequent day, all the rest of the complicated political structure of these 160,000,000 people uses the expedient of indirect election. The city and village councils, the cooperative and trade union committees and those of the industrial and agricultural associations of producers, in addition to administering their several local affairs, all have the important function of electing representatives to sit on a council for the district (which we may think of as a county). This council under various names manages the affairs of the district and also elects delegates to a provincial council or conference. And so the various hierarchies rise, parallel with and substantially similar to each other, up to a congress in each case representing its particular set of members throughout the whole U. S. S. R. That of the soviets not only elects the invariable executive committee, presidium, president and secretary, common to all Russian councils, but also appoints the People's Commissars (Ministers of State), who form a Cabinet (Sovnarkom), in administration superior to every other authority in the land. Between the several congresses or their central executive committees or officials representing respectively the soviets, the cooperatives, the trade unions and the associations of producers, there are, it is needless to say, frequent consultations and discussions at every stage.

It must be noted that at no stage in the hierarchy and in no grade does the Soviet Constitution employ the method of popular election for the selection or appointment of any officer, whether president or secretary, magistrate or manager, clerk or manual worker. Even more universally than in Great Britain the selection and appointment of officials, high or low, in Soviet Russia is invariably left to the executive committee and usually, indeed, to the smaller presidium. In establishments of any kind, whether institutes or factories, the selection of all subordinates is usually delegated to the director or manager.

The modern liberal or radical, and usually the modern Socialist, does not like indirect election, which seems to weaken the control of the mass of the citizens. English experience of the past couple of centuries is considered to be on the whole against it. But when we come to such vast aggregates as hundreds of millions, it is hard for even the most determined democrat to resist a doubt of the genuine efficacy of direct election of any central authority. When we add the influence of millionaire employers in joint stock enterprise, a wealthy capitalist press and radio, and all the power of the political administration, democracy in the old sense is apt to become a farce. It is not easy to dispute the claim that the electoral system of Soviet Russia, however we may designate it, more accurately expresses the people's will than those of the United States, Great Britain or the German Reich.

But, it will be said, the various hierarchies of soviets, trade unions, consumers' cooperative societies and associations of producers, though the os-

tensible, are not the real government of the U. S. S. R., which has been assumed without popular mandate by the Communist party. This extraordinary companionship, reminiscent of the religious orders of the Roman Catholic Church or of the officer-corps of the Salvation Army, does not as an organization exercise any legal power. It does not appoint the People's Commissars or Cabinet and not even the head of the political police (Ogpu) nor yet the judges and magistrates and all the innumerable holders of salaried administrative posts. The Soviet Communists dislike the use of any terms reminiscent of theology, and they will accept, as a significant description of the Communist party, only that of Keeper of the Nation's Conscience. It is, in fact, almost exactly what Auguste Comte designated a century ago as the spiritual power in the State, pointing out always what ought to be done, in big things and small, but not itself exercising any but the authority of persuasion.

The careful student of the U. S. S. R. today will have no doubt as to the commanding position which the membership of this highly selected, strictly disciplined and very exclusive companionship, quite misleadingly described as a political party in the American or West European sense, holds in the community. But they are not a separate class or political party. A substantial majority of the 2,000,000 members and candidates are still wage-earning manual workers at the bench or in the mine, where they are almost invariably the popular leaders, who are trusted and followed by their fellow-workers. Most of the remainder fill the full-time offices of local or central administration, including those of the trade union and cooperative hierarchies. Selected as they are in the main for their personal qualities of leadership and ability, they naturally hold nearly all the key positions in administration and industry. Wherever they are they have to give implicit obedience to the directions of the Central Executive Committee and principal officers of their own organization.

Hence it is that "Comrade Stalin," who is merely the General Secretary of the Communist party, has a position and an influence which is universally regarded as that of a dictator. This, however, is true only in a modified sense. His orders are not law to the 160,000,000 of the population and are binding only on the 2,000,000 members of his own organization. They are not enforced by the police or the law courts. The Commissars (Ministers) and their principal officials (being in most cases, though not invariably members) must seek to carry them out, but they can do so only by persuading those actually concerned to put them in execution. Nor are the decisions of "Comrade Stalin" his own autocratic commands. He is not that sort of man. Confidential reports indicate that what goes on within the Kremlin is rather in the nature of a perpetual series of little committees over which Stalin does not usually preside. He is reported to be extraordinarily skillful in influencing, by deft questions and persuasive interjections, the conclusions at which the committees arrive. But he displays also an almost uncanny capacity for absorbing and assimilating what he learns from everybody's reports both as to the actual facts and as to public opinion. On this composite basis are grounded the periodical deliverances which are issued in his name, sometimes standing alone and sometimes coupled with that of the President of the U. S. S. R.

We may perhaps sum up the Constitution of the U. S. S. R. by emphasizing its reliance on the widest possible participation of the whole adult population in the public business, which includes the planned control of the whole social environment, but with direct popular election only at the bottom of each of the hierarchies. Power does actually emanate from the peo-

ple, as Lenin insisted—"All power to the soviets." But the power is transmitted up each of the hierarchies by the cable of indirect election, delivering some of its energy at each of the stages. At the top of each hierarchy the power is transformed into authority couched in specific orders determining how the collective control in all its forms shall be exercised. Emphatically, in the U. S. S. R., authority comes from above, as, in fact, it does in the government of every populous State. Perhaps we may say that the U. S. S. R. expresses more explicitly than other nations the necessarily authoritative character of the great modern State, however democratic it may think itself. The Soviet organization is certainly poles asunder, like the modern State itself, from the New England town meeting, or the old English vestry, where the taxpaying inhabitants themselves in open meeting made the laws, appointed each other to be unpaid hog-reeve or constable and even executed rough justice on any erring citizen.

But the U. S. S. R. cannot be fairly judged without taking into account the extraordinary development of an additional apparatus that Auguste Comte predicted would have to be created in every civilized State, namely, a distinct spiritual power charged with constantly pressing on the actual government, but only by way of persuasion, the fundamental purpose of the community, now picturesquely described as the dictates of its conscience. Perhaps Auguste Comte, if he had cared to use the language of democratic theory, would have said that only by means of a spiritual power, apart from but influential with the legislative and executive authorities, could the community continuously express its general will and at the same time insure this being carried into effect in the face of the inevitable personal and sectional interests.

It is useless, however, to discuss whether or not the Constitution of the U. S. S. R. is what we choose to consider and to designate democratic. It is more important to realize exactly how it works—to what extent it provides a control of the social environment according to the wishes of the people as a whole; how far the legislation and administration enjoy the advantage of a popular consciousness of consent; and how nearly the resultant State approaches to the best kind of equality for the entire population. On this supreme judgment people in other countries will long continue to differ according to their bias and their information. All that need be said here is that great difficulty will be found in convincing any thoughtful Soviet citizen, whether or not he is a Communist party member, that the Constitutions of the United States, Great Britain, France or Germany come nearer than that of the U. S. S. R. to securing what is usually meant by democracy, whether emphasis is laid on social equality or on the fulfillment of the popular desires or even on the general consciousness of consent to the actions of government.

At this point there comes into view the full significance of the difference in the sphere of collective organization as seen in the U. S. S. R. on the one hand and in the rest of the civilized world on the other. This is not a difference in national purpose. What the fathers of the United States Constitution aimed at was also the object of Lenin's lifelong devotion—to use the American phrase—to secure the equal rights of all men to life, liberty and the pursuit of happiness. Jefferson thought that this would be attained if we cleared away monarchy and all hampering legal restrictions on individual effort, merely maintaining courts of justice and a police force. The British Radicals of a hundred years ago (though Jeremy Bentham knew better) generally agreed with this view. Later generations on both sides of the Atlantic rationalized and moralized this minimizing of politics,

until it became an article of faith that "self-love and social are the same," that if every man was left to pursue his own interest in the way he thought best the interests of all men would be automatically secured, or, at least, that there was no known practicable alternative to the policy of letting each man do what he liked with his own.

But this was before the industrial revolution had transformed three-fourths of the people into propertyless wage earners and before it had unwittingly given to a small minority of capitalists what it is not unfair to describe as an economic dictatorship, and one that Jefferson would perhaps have been the first to resent. Today it seems only a mockery to pretend that the Constitution of the United States or that of Great Britain secures to every man equal rights to life, liberty and the pursuit of happiness. Soviet Russia believes that it has presented the world with a practicable alternative, which comes much nearer to the attainment of the Jeffersonian object.

We shall understand this paradoxical claim better if we recall the nature of the compulsion and coercion against which the mass of the citizens of every great industrial State are now seeking protection. What is it that condemns the great majority of all the inhabitants of great nations to grow up in penury, and many of them in chronic want; what makes the incomes of the mass of wage earners actually insufficient for completely healthy maintenance and full training of their families; what forces those who do the most laborious work to live in the most unhealthy surroundings, under the most insanitary conditions, with a death rate and a sickness rate that we now know to be relatively excessive and totally unnecessary; what deprives nearly all of them of leisure and holidays, traveling and culture; finally, what exposes most of them periodically to involuntary unemployment and famine and dooms many in old age to pauperism? Our grandfathers might have said original sin. Our fathers complacently ascribed all these ills, even when they were seen to be social diseases, to the personal shortcomings of the poor.

The conscience of the Soviet Union, in full accord with modern science, puts these social diseases down, at any rate in great measure, together with nearly all the resultant inequalities of fortune, to the nature of the economic environment into which the people are born and amid which they must inevitably grow up. It is not monarchy or a State church or chattel slavery that causes at least one-fourth of all the workers in the United States and Great Britain to obtain even in good times a wage demonstrably inadequate to full healthy maintenance. It is not lack of resources in a country abounding in every necessity of life. It is not even the cruelty or other wickedness of the dominant class which is as uneducated as the victims of the oppression that hardly any of them understand. It is the environment itself that deprives the vast majority of the people of every country deeming itself civilized of effective liberty and of anything like equal opportunity of pursuing happiness. And the sharp points and painful pressure of that environment are supplied, so it is argued, by the profit-making motive embodied in the private ownership of all the instruments of production.

Accordingly what the U. S. S. R. seeks to do—what Jefferson never thought of and what the capitalist nations have never attempted—is deliberately and continuously to shape the whole economic and social environment of the population in such a way as genuinely to secure to every person in the land; so far as may be found practicable, both equality of opportunity and the widest possible expansion of individuality. This is in Soviet Russia the object and meaning of the General Plan which forms the central core of all politics. It is significant

that its formulation starts each year with the bare statistics of the population in each locality and for the whole U. S. S. R. So many adult able-bodied workers in health to be found opportunities for production (no other State approaches its problems from this starting point); so many children and young people to be insured education and technical training; so many sick and infirm to be cured or relieved; so many aged and superannuated to be provided for. It is solely to attain the desired standard of life for all the people that the whole scheme is planned, without the least concern for anyone's private profit—all the industrialization and electrification, the extraordinary mechanization of agriculture, the insistent rationalizing of international trade, the audacious redistribution of all kinds of production according to local opportunities so as to lessen the expense of transportation; the relatively colossal expenditure on education, book publication, newspaper production, concerts and the drama, the opera and the ballet.

The question that the foreign inquirer, usually a person with an assured income from investments, is apt to ask is, "Does not such a comprehensive planning of the entire social environment involve a lessening of individual liberty?" The answer that would be given to him is, "Frankly, yes, so far as the relatively small number of actual or potential property owners are concerned." No able-bodied man or woman can live comfortably in the U. S. S. R. without doing his share of socially useful work by hand or by brain, even if he is a property owner. No one is free to engage in business for his own individual profit, if this involves the employment of wage-labor.

But, on the other hand, the whole of the people of the U. S. S. R. find, so it is claimed, that the all-pervading pressure of the social environment, which formerly deprived them of all effective liberty (or opportunity) to live a full life, is now so shaped and controlled as to afford every one of them a great deal more individual freedom of choice of occupation and residence than was ever possessed before; much more leisure, both daily and in holidays; a steadily rising share in the aggregate of consumable goods that are produced; a greatly enlarged avenue of promotion to duties of greater responsibility and emoluments; extended educational facilities for the children as well as for the man and his wife; the security afforded by the network of social insurance; and the opportunity of actively participating, according to one's abilities, in the actual government of the community.

Whether the citizen of the Western World thinks that all this does or does not amount to a positive increase of individual liberty—brought about by the deliberate control and planning of the social environment—will probably depend on whether he thinks that it is more important to the world that property owners should be free to indulge in their caprices or that the four-fifths who are not property owners should find their own individual opportunities of choice and initiative enlarged.

The Strength of German Capitalism

By CALVIN B. HOOVER

[The writer of this article has been Professor of Economics at Duke University since 1927. As Social Science Research fellow he was in Soviet Russia in 1929 and 1930, the results of his visit being embodied in his work, *The Economic Life of Soviet Russia*, published in 1931. During the past year he has been studying the political and economic situation in Germany.]

GERMANY is the heart of industrial, capitalistic and bourgeois Europe. Only Poland and the Baltic States, the marches of capitalistic Europe, insulate Germany from physical contact with Soviet Russia. The threat of the renunciation of capitalism and the embracing of bolshevism has been, ever since Versailles, the final desperate argument which Germany has offered in support of her plea for the amelioration of the terms of the peace treaty. Since 1930 the advance of National Socialism, the self-proclaimed defender of the Fatherland from communism, has been accelerated, though to the rest of the world it seemed hardly preferable as an alternative. While the world economic crisis deepened and while the misery of Germany steadily mounted, the success of the Hitler movement seemed so probable that the only question to be discussed appeared to be whether the National Socialists, when they came to power, could construct a stable economic and social system which would serve to prevent the establishment of a soviet system in Germany.

Since the events of the Summer of 1932 the outlook has materially altered. In June Hitler made the perhaps fatal mistake of allowing the von Papen Government to take over the power of the State. Hitler had expected that von Papen would form only an ad interim government which would insure the peaceful transfer of the State power to himself. As all the world knows, Hitler was disappointed in this expectation. Events proved that he had allowed himself to be deluded and outmanoeuvred by the conservative elements in Germany. He failed to obtain a majority in the July elections, and the movement suffered further losses in the November elections. The new situation raises once more the question of the status of capitalism in Germany.

Did the decision of the conservative elements to prevent Hitler's coming to power mean that the safety of capitalism in Germany against any threat of communism had been assured? Or did it mean that the conservatives, simply on account of their distaste for Hitler, had recklessly burned their bridges behind them and had thus cut themselves off from a Fascist island of retreat which the National Socialist movement offered to capitalism? Do the great industrialists of Germany have any plan for the reorganization of capitalism or are they only waiting in the hope that somehow or other normal business conditions will be restored? Finally, there is the question of the attitude of the mass of the German population toward capitalism. Are the people willing to wait for the return of "normal times" or is there a deep-seated hostility to capitalism and a conviction that capitalism has failed and must be replaced by some other system?

A simple and categoric answer to these questions cannot, of course, be given. It is possible, nevertheless, to distinguish certain trends with reasonable clarity. In the first place, it may be definitely stated that the in-

dustrialists, bankers and business men of Germany have rejected National Socialism as a substitute for capitalism. It might be more exact to say that the majority probably never even considered accepting it as such. It is quite certain that only a small minority of German "big business" ever actively supported National Socialism. Only during the last year, on the other hand, has an active and determined opposition to the Nazi movement developed from this quarter. For some years many industrialists viewed the growth of National Socialism with complacency since they regarded the movement as essentially nationalist rather than Socialist. Furthermore, it fought the Communists and weakened the trade unions. The innate hostility of the movement to big business was discounted because there seemed little probability that this hostility would ever be expressed in any more practical form than in the pamphlets of the Nazis. On the other hand, the undoubted service which the Hitler movement was performing in strengthening Germany in her stand against the payment of reparations was recognized.

As the Nazi movement attempted to expand its membership and to win a majority of the electorate to itself, it became necessary to emphasize the economic side of the Nazi program. Only by so doing could the Nazis hope to win the support of the peasantry; still less was it possible to win proletarian support in any other way. As the economic situation became worse the stressing of "anti-big-business" slogans became an ever more essential part of their propaganda.

In the Summer of 1932 the industrialists were confronted by the possibility of a National Socialist government. The prospect filled them with deepest alarm. The bitterness of the anti-Semitic feeling among the Nazis was one cause of this apprehension. The prospect of international conflict which might follow upon the carrying out of the Nazi foreign policy was a further cause for worry. Most important of all was the fact that the movement had already moved markedly to the left. No one knew exactly what the economic program of the Nazis would mean in practice, but it had at least become apparent that a wholly Nazi government could be counted upon to perform some very serious exploratory operations upon the still living body of German capitalism.

If, however, the industrialists decided to block the path of Hitler to power and succeeded in so doing, the movement would either be materially weakened or would be pushed still further to the left. The prospect of the National Socialists becoming, in effect, National Communists was a source of concern to the conservative forces in Germany. The conservatives disliked the necessity of making a decision which definitely aligned them against the Nazis and which meant that the continuance of the use of the Hitler movement as a specific against the growth of communism became uncertain.

If the downward movement in world economic conditions had continued at an uninterrupted pace it is to be doubted whether the conservative elements in Germany would have dared to take the decisive measures which they did finally take in August against Hitler's march to power. By that time, however, there could be observed the first signs of an economic upturn in the United States. The economic situation in Great Britain was also showing some signs of improvement. German industrialists decided that this foreshadowed the turn of the cycle for Germany as well. If economic conditions improved sufficiently, there was no longer any important use to be served by the National Socialist movement. If the movement were allowed to come into control of the State, it might not only prevent Germany from sharing in the hoped-for economic upswing but might even nip in the bud

the tender sprout of international economic confidence and thus destroy all hope of recovery.

So the decision fell. In passing, one cannot withhold a certain admiration for the tough old Junkers who had the courage and coolness required to undertake what then appeared to be the formidable task of throwing a barricade across the path of Hitler's onsweep. They were, however, to be disappointed in the reward which they had hoped to receive for their service to the conservative cause. They hoped to turn back the calendar to 1913, but their confederates, the industrialists, were realists. The Junkers could, indeed, control the Reichswehr, but the November elections showed that they could count upon the support of only some ten per cent of the German people. The industrialists were not ready to stake much in support of a movement which could command no greater force than this. The mystic and romantic schemes of von Papen and von Gayl for constitutional reform were received with the greatest skepticism by the industrialists. "As a statesman von Papen is a very brave cavalry officer," said a leading industrialist to the writer. "You can be sure that he will not long be German Chancellor." This prediction was verified almost at once when the von Papen Cabinet fell and the von Schleicher Cabinet, in which the Junker influence was greatly diminished, came to power.

The refusal of German capitalists to accept National Socialism does not mean that they adhere strongly to the doctrines of laissez-faire capitalism. The German capitalist, like his American brother, believes firmly in the desirability of suppressing "undesirable forms of competition" through the organization of trusts, cartels and other forms of large scale capitalistic organization. When in financial difficulties, industries look for and receive subventions and guarantees from the government. German industrialists, however, are not greatly concerned about these large investments of capital in industry by the State. No doubt the majority hope that the government will be able to withdraw from these engagements when business conditions have improved. Others are able to contemplate with equanimity the possible further expansion of State participation in industry.

"It would make little difference to a typical *Herr Direktor,*" says one of these German industrial leaders, "whether he were manager of one of our great banks or industries in which the capital is only partly furnished by the State or whether all the capital in the industry of which he was the manager was State-owned. It would, indeed, make a tremendous difference to the *Herr Direktor* if the industry were controlled by a Communist government. If it were controlled by the same classes which control it now the *Herr Direktor* would avoid many of the uncertainties of privately owned enterprises while he would enjoy almost the same perquisites."

This observation on the part of the industrialist was the more interesting because only the day before a labor union leader had expressed his confidence that socialism would come about eventually in just this way. The significant difference, however, was that the labor leader had assumed that the State which owned industry would be a State controlled by workers primarily in the interests of workers, while the industrialist had stipulated that such a form of State ownership of industry would be successful only if the same classes which furnish the directors of corporations at the present time would control the government then.

It may be concluded, then, that the industrialists, bankers, and other business men not only do not have any idea of reorganizing capitalism but they do not even have any effective desire to plot the course of the future development of capitalism in Ger-

many. They do not contemplate the development of any system of "planned economy." They have no use for the *Autarkie* of the National Socialists. They only desire to protect their present control over industry and to bring about, if they can, a return of business conditions which will enable them to operate their enterprises at a profit.

In sharp contrast to this attitude of the conservative elements in Germany is the bitter hostility of the mass of the population toward capitalism. It is unnecessary to dilate upon the economic misery of the German people. Deep as this misery is, we have our own misery in the United States, which in some respects, at least, is almost as great. The registered unemployed in Germany at the end of November numbered about 5,350,000 persons. It is officially recognized that there are from 1,500,000 to 2,000,000 unregistered unemployed in addition to those registered.

One may conclude, therefore, that the ratio of unemployed persons to the total population is somewhat greater than in the United States, but not markedly so. It is true that the burden of unemployment has had to be carried longer than in the United States and that the material resources available for the task are relatively much smaller in Germany. Moreover, the wages of employed workers are, of course, much lower in Germany than in the United States. These circumstances are partially offset by the fact that the funds which are expended for unemployment relief, while miserably inadequate, are used with very much greater efficiency than are such funds in the United States. It must be admitted also that, judged by rational standards, the German worker maintains a higher standard of living, per dollar received, than does the American worker.

Although the long continuance of unemployment has naturally found expression in an increasing bitterness among German workers, there has developed also a hopeless apathy which certainly reflects a decline in the morale of the working population, but which does not in itself threaten the capitalistic system with revolutionary violence. This weakening of morale is evidenced by the extent to which the streets are infested with beggars—one of the most notable changes from the Germany of other days.

The economic condition of the peasantry is very bad, but it is doubtful whether there has been relatively as great a decline in living standards as there has been among American farmers. In certain districts of Germany the absolute misery is undoubtedly much greater, however, and the barest minimum of subsistence is approached. Unlike the workers of the cities, who divide their allegiance between the Social Democratic party and the Communist party, the peasants express their resentment by voting Nazi.

The impoverished bourgeoisie and declassed aristocrats who have swelled the ranks of the Nazis express a radicalism which no doubt would dwindle materially with a decisive turn of the business cycle. Every year that the depression continues, however, renders their proletarianization more permanent. The radicalism of the students finds an objective basis in the constantly increasing difficulty of graduates in finding employment in their professions. This basic cause for discontent already existed before the present depression, but the difficulty has been greatly accentuated during the last three years. Engineers, doctors and others of the professional classes often sympathize with the radical parties for similar reasons.

Dissatisfaction with the present economic system is reflected by the distribution of the vote at the Reichstag elections in November. The avowedly Socialist parties—the Communists, Social Democrats and National Socialists—received seventy

per cent of the total popular vote. This does not indicate by any means that socialism is imminent in Germany, since the Socialist parties are so hostile to one another, but it is a measure of the emotional reaction of the people toward present conditions.

The Communist party increased its vote about 20 per cent. It also became the largest party in Berlin. This gain was achieved in spite of the surprising degree of success which the Nazis had in holding their proletarian members in Berlin in line. The Hitlerite loss for the whole of Germany, after allowing for the diminution in the total vote cast as compared with the July elections, was only about 11 per cent. The Nazi loss to the Communists was relatively small. The greater part of the voters within the Nazi movement who regarded it as essentially nationalistic rather than socialistic went over to the Hugenberg Nationalists who were supporting von Papen. It was natural that this should be so since his government offered everything for which a nationalist could possibly hope. Since the National Socialist movement owes its mass strength to economic discontent and since the causes for this discontent have not essentially been altered, the movement still contained one-third of the German voters even after the loss of its ultra-nationalist members.

As long as the National Socialist party exists in its present strength it is a disturbing factor to German business. The industrialists consequently are making every effort to bring about the disintegration of the movement. To this end they have favored Nazi participation in the government but with guarantees against carrying any of their economic ideas into execution. It is believed that the consequent disappointment of the radical membership of the Nazis would greatly weaken the party. An alternative hope has been that disgruntled Nazi leaders could be induced to accept Ministerial posts and that the party would be split in this way. The heterogeneous constituency of the movement and its lack of a definite program facilitates the operation of the forces of disintegration. The conservatives leave to the future the problem of where the voters will go after the National Socialist movement has broken up.

It is significant that the transit system strike in Berlin during November was led by the Communists and Nazis against the opposition of the regular trade unions. This was one of the "wild" strikes which were brought about by the attempt of the von Papen government to lower wages and which produced several instances of Nazi-Communist cooperation. The von Schleicher government which succeeded von Papen's definitely abandoned this policy because of its complete failure.

In spite of the bitter discontent of a large part of the population the opposition to the present social order remains indecisive. Although the movement of the Nazis to the left and the incidents of Nazi-Communist cooperation cause some disquiet, a wide gulf still separates the disciples of Hitler from those of Lenin. In the disunion of radicalism lies the strength of capitalism in Germany.

Paradoxically enough the very length of time during which the present difficulties have persisted has finally served to increase the confidence of capitalists that their system will certainly survive. Before the present crisis and depression many of them would perhaps have doubted whether the system could endure the economic disasters which have befallen it without social upheavals on a corresponding scale. That such social upheavals have not occurred is some measure both of the strength of the economic and social structure of capitalism and of the weakness of systems which are offered as substitutes for it.

Much of the discontent with capitalism of necessity expresses itself

simply in a feeling of hopelessness since no effective alternative presents itself. The Social Democratic party's policy of waiting for the gradual evolution of socialism makes little appeal to the man who is hungry now. The economic program of the National Socialists suffers from a lack of unity and an almost hopeless confusion of ideas. The Communist party which does have a definite philosophy and program is just now terribly handicapped in the effectiveness of its propaganda by the failure of the Soviet Government to cope with the problem of feeding the Russian population.

As long as control of the Reichswehr remains in strong hands there is almost no possibility in Germany of a Nazi attempt to seize the State power by force. Only in the event of a complete economic and political collapse could the Communists hope to seize power. By contrast, the industrialists, who are in effect the rulers of Germany, express a vigorous confidence in their ability to control any situation which is liable to arise. One industrialist expressed this spirit when he said: "We are annoyed by the nuisance which the Nazis are causing us just now, but we are not at all frightened by them." German business men have become used to crises, both political and economic. They have acquired skill in getting along with and making use of any party or group of parties which happens to be in power at the moment. If they cannot have the Cabinet they wish, nevertheless they usually manage effectually to safeguard their interests with the Cabinet that does come into existence. Their experience with the German revolution of 1918 convinced them that even revolutions can be managed.

The immediate political situation has been eased by the formation of the von Schleicher government. The extraordinary character and tremendous prestige of President von Hindenburg remain a factor of first importance in maintaining political stability. Conservatives, in view of the President's advanced age, hope strongly that the general, if still faint, signs of improvement in economic activity in Germany presage an early and decisive turn for the better. They realize, however, that economic improvement in Germany is dependent upon factors which are largely international in character, such as the war debts, reparations and tariffs. The post-war history of Germany shows that radical movements have waxed and waned with the ups and downs of the business cycle. German business men are confident that history will repeat itself. Their economic and political policy is predicated upon this assumption. If the hoped for international economic recovery should be too long delayed the consequences would be serious indeed. This, however, is not exclusively a German problem.

BERLIN, December, 1932.

Agrarian Conflict in Hungary

By LUDWIG LORE

[Formerly editor of the *New Yorker Volkszeitung*, Mr. Lore is now specializing as a writer on European affairs.]

HUNGARY is in one respect a land of contradiction — a kingdom without a king, though for the time being at least the place of the missing monarch is being filled by the Regent, Admiral Horthy, a great landowner from Kenderes, who, on behalf of the landed gentry, the counts and barons of the Hungarian aristocracy, the real masters of the country, is presiding over the nation's destinies. When a soviet government was established on March 21, 1919, it seemed as if the proletarian dictatorship had put an end to their feudal glory. But Rumanian troops, forgetting the bitter hatreds of the World War, went to the aid of the Hungarian aristocrats against an enemy within, and helped to bring the soviet régime to an end after a few months of troubled existence. A national government was again in power in Budapest on Aug. 7, 1919, and then followed a period of white terror. Revolutionary suspects were seized by the hundred; many were put to death or subjected to fearful tortures; others who were arrested at the time still fill the jails of Hungary.

The Hungarian aristocrat is known the world over for his social charm, for the delightful manner in which he plays the part of host, for his eagerness to serve a friend. He is a cosmopolitan to the core, a broad-minded elegant toward those who associate with him on his own social plane, whom he recognizes as his equals and treats accordingly. In his relations with the less fortunate, this veneer of fine manners disappears and the tradition of overbearing pride comes uppermost. He bears an obvious spiritual resemblance to his cousin, the Junker of East Prussia. But the latter, with all his reactionary outlook—and in this he vies successfully with the Hungarian landed aristocrat—maintains toward his farm hands, servitors and renters a certain patriarchal sense of responsibility that is lacking in his Hungarian counterpart.

Hungary is a democratic kingdom with a regularly elected upper and lower house, but this legislature masks a firmly established autocracy by which every attempt at serious opposition to the existing régime is quickly suppressed. In the rural districts and small towns elections are conducted by open ballot, and every farm worker and renter is expected to repay his master and landlord with political allegiance for the election propaganda which the latter conducts with beer, wine and sweets.

In the fullest sense of that word, Hungary is a paradise for the large landholder. There are in the country approximately 1,100 large landholders and about 10,000 farmers with medium-sized holdings as compared to 840,000 small peasants and over 1,000,000 farm workers. The former, representing 1.3 per cent of the population, own and control 50 per cent of the country's land and wealth—as much as that belonging to the remaining 98.7 per cent. These figures not only reveal the social structure of the nation; they also indicate why the farm problem is the question on which the entire Hungarian economy is centred. All government crises through which the country has gone since the

overthrow of the soviet régime have been brought about chiefly by the growing discontent of the small farmer population. Count Bethlen, who served as Prime Minister for ten years until August, 1931, was forced to resign because his administration was carried on so unequivocally in the interests of the great landholders that the middle and small farmers united with the influential urban bourgeoisie against him.

Count Julius Karolyi, who succeeded Bethlen, took the reins of government at the beginning of the severest crisis in the life of the nation. To him fell the difficult task of creating a new background and basis for Hungary's economic restoration that would enable it to weather this period of extraordinary emergency without too greatly endangering its existence. Unfortunately, he was of insufficient calibre for the task, the more so since a change had taken place in the economic conditions of the elements he represented. Originally he had been the spokesman of that part of the aristocracy which saw in the maintenance of the economic security of the large landholders the end and aim of national existence, and which had managed to hold its own in the catastrophe. But the crisis, as it continued, demanded greater and greater sacrifices, not only from the poor peasantry and the well-to-do farmers, but from a considerable portion of the aristocracy which, up to that time, had been able to keep its holdings intact and not get into debt. Parliamentary support became increasingly uncertain, for the representatives of the small peasantry, whom a similarity of interests with the big farmers that was more apparent than real had kept in the agrarian bloc, now demanded help for the farm population that had been hardest hit and that now was offering a fruitful field for Socialist propaganda. While the endeavor was made to save as much as possible of the power and prestige of the owners of the large estates, it was realized that a portion of these extensive holdings would have to be sacrificed and divided into small farms to satisfy the growing land hunger of an impoverished peasantry.

The growing radicalization of the small farmer and farm workers brought the Independent Party of Small Farmers a number of surprising victories at by-elections. This success, which was due mainly to a program which had been in part taken from the Socialist platform, induced the agrarian government bloc to present an ultimatum to Prime Minister Karolyi which demanded State relief for needy farmers, regulation of the farm-debt problem by some form of cancellation, cheap farm credits, reduction of interest rates, the curbing of trust domination of prices and the discontinuance of foreign debt payments. To this ultimatum, behind which the hand of Count Bethlen was plainly discernible, the Karolyi government answered with an emphatic negative, and its days were numbered.

Who was to take the place of the Karolyi government? Count Bethlen, who had used the dissatisfaction of the small farmer group for his own political purposes, realized that he was still too much discredited with the mass of the people to be possible as Premier. In this dilemma a man was again brought to the foreground who in years past had been repeatedly referred to as a coming man. This was Julius Goemboes, a strange mixture of political contradictions, though this may have made him particularly suitable for the post to which Regent Horthy now called him. Although he did not take office until Sept. 30, 1932, he has already with characteristic energy tackled the solution of so many problems that he has attracted the attention of the European public to a far greater degree than any of his predecessors. He is Horthy's personal friend, a member of the White Guard and a racial extremist. An avowed

Fascist, he is a man who is well able to wield the strong hand of a military dictatorship, but he is not likely to adopt such an extreme measure until he believes that the time is ripe for it.

In spite of his youth—the new Prime Minister is little over 40—Goemboes has already had an eventful career. When the Hungarian revolution in November, 1918, set up a republic, he was among the first to offer assistance and swear allegiance to the new government. At the same time, however, he organized an officers' society for national defense, which on the ground of alleged counter-revolutionary activities was ordered dissolved by Boehm, Socialist Minister of War in the government of the radical Count Michael Karolyi. Goemboes disclaimed all responsibility, assured the government of the loyalty of the officers' organization, and laid the blame for the subversive propaganda at the door of a brother officer. The society, however, was suppressed and War Minister Boehm refused to have anything to do with Goemboes, who thereupon went to Szeged, where the Whites were encamped, to place his services at the disposal of the counter-revolutionaries there.

Immediately after the overthrow of the soviet government in Budapest Admiral Horthy had undertaken to rid the country of its revolutionists, and in Goemboes he found an energetic and thoroughgoing assistant. For the next few years Goemboes devoted his entire time to the reorganization of the officers' national defense society, which he developed into one of the mainstays of the Horthy régime. His political success is due in no small measure to this body, which gave him standing in army circles.

Goemboes again became prominent a few years later when he began stirring up a racial fanaticism that expressed itself particularly in violent anti-Semitic propaganda through an organization that called itself the "Awakening Hungarians," the ideas of which were in line with those of the Hitler movement that was just beginning to take form in Germany. However, since becoming Prime Minister he has declared himself in favor of religious toleration and states frankly that he has abandoned his former anti-Semitic views.

The new Prime Minister is no aristocrat, and is one of the few commoners to rise to political importance in Hungary. It was he who frustrated the attempt to restore King Karl to the Hungarian throne, an act for which the aristocracy cannot forgive him. In 1922 Karl, last of the ruling Habsburgs, appeared with troops near Budapest and informed Prime Minister Bethlen through a confidential messenger that he would be hanged if he resisted the restoration. In this emergency Goemboes intervened with notable courage. Placing himself and his followers, the officers' national defense society and a large number of students, at Bethlen's disposal, he offered to advance against Karl and his men. Moreover, he assured Bethlen that if he were defeated the government would be in a position to wash its hands of all responsibility for the "hotheads" who had opposed Karl's return, so that the army and the official government would be absolved from blame. Goemboes was equipped with extraordinary authority; Karl and his army were repulsed, and Bethlen sat more firmly in the saddle than before. Three years ago Goemboes was appointed Minister of War by Horthy, who, never completely trusting Bethlen, desired a special confidant in the Cabinet to assure his control of the army. By virtue of his own appointments while holding this position Goemboes rose from the rank of Major to that of General, for which reason the aristocracy regards him as a rank upstart.

Along what lines will the Goemboes government be conducted? The new Prime Minister has already given an

unequivocal answer to this question. In his announcement of the change of government to Mussolini he expressed himself as follows: "I desire to assure your Excellency of the unshaken friendship and highest regard that unite myself and all Hungary with the great Italian nation and with the man who personifies the new creative genius of Fascist Italy." His first journey beyond Hungarian borders took him to Italy, whither shortly before a delegation of Hungarian patriotic societies had gone to pay their respects to Mussolini. Goemboes himself, on leaving Rome, cordially expressed his gratitude to the Italian Prime Minister as the friend of Hungary, while Italian newspapers came out strongly for the revision of the Trianon treaty. After his return to Hungary Goemboes stated in an interview in the semi-official *Pester Lloyd* of Budapest that conditions in Italy "reflect the virility and the constructiveness of the Fascist movement."

Nevertheless Prime Minister Goemboes is too shrewd not to recognize the stumbling-blocks that lie in the way of establishing a Fascist régime in his own country. He will, therefore, proceed slowly and carefully to achieve this purpose, moving, as is his wont, with caution but determination toward his goal. He has already declared that the obsolete suffrage laws of Hungary are to be replaced by a system of secret suffrage for both town and country, a reform in the direction of liberal democratic development that would radically change Hungarian political life and the composition of the Hungarian Parliament. But nothing is further from his intentions, for has he not also announced his intention of supplementing the general and secret suffrage with a system of representation under which a stated number of Deputies is to be apportioned to each of several economic groups. This system, first introduced by Count Bethlen in the municipal council of Budapest, is now to be extended to the national Parliament with the intention of preventing any radical opposition of workers or peasants gaining a majority over the representatives of the aristocratic and other conservative elements.

The temper of the Goemboes government is further expressed in its revised military program. The volunteer army authorized by the Trianon treaty has practically disappeared. It has been replaced by volunteer corps that form the basis for the conscripted army at which the Prime Minister is aiming. Hungary, the new Prime Minister recently said, needs peace for the reorganization of its industry, but it must arm to protect itself from the encroachments of unfriendly neighbors and the eventualities that may result therefrom.

The Government party, on which Goemboes must rely in Parliament, is split into two groups—the landowning conservatives, who still look to Bethlen for leadership, and the more radical agrarian nationalists, whose political and economic ideas underlie the policies of the Goemboes administration. But the acute problems of the Hungarian State lie outside party politics. The representative of the League of Nations in Budapest stated in his last report that the price index for farm products has again fallen 12 per cent during the last year, while the price index for industrial commodities fell only 6 per cent during the last two years, a period in which all other countries reported a fall of prices for manufactured articles of between 20 and 30 per cent. The price policy of the Hungarian trusts is responsible for the fact that the divergence between agricultural and industrial prices is growing steadily greater. Any Hungarian Government that wishes to prove that its "new deal" will serve the interests of the farming population will have to advance in the direction of a drastic reduction of trust prices.

Such a policy would undoubtedly

cost the present government the support of the bankers and the industrial magnates, important upholders of the Government party, which they supply with the largest part of its funds. Without the benevolent support of these financial interests, moreover, the government will find it impossible to cover its budget deficit, which was estimated at 160,000,000 pengoes ($27,000,000) for 1932. This situation is complicated by the serious decline in Hungary's foreign trade. In the first nine months of 1931 exports dropped 42 per cent and the figures for 1932 show an even more decided downward trend. While in Rome Goemboes pleaded for greater patronage of Hungarian manufacturers, since only 8.5 per cent of Hungary's export trade is with Italy. Prime Minister Mussolini appointed a commission to investigate the possibility of an extension of commercial relations between the two countries, a gesture from which Hungary, however, expects no outstanding results. Negotiations have also been opened with Austria with the same end in view, and it is more than probable that an Italian-Austrian-Hungarian economic treaty will ultimately result. The banking and credit situation adds to the difficulties of the government. Five of Hungary's largest banks are in crying need of reorganization, but do not know where to find available funds.

In these circumstances the prospects of farm reform urged upon the Goemboes government by the Independent Small Farmers party and accepted in principle by the Cabinet are far from bright. Nicholas Kallay, the Minister of Agriculture, has just outlined a plan for the creation of twenty villages with an area of about 15,000 acres, the land to be provided by the government by condemnation proceedings against great estates. Hungary has estates that greatly exceed the area contemplated by this plan. The small farmer opposition has therefore presented a counter-proposal for the creation of 15,000 new villages with an area of 4,500,000 acres, a project that was flatly rejected as ruinous to Hungarian agriculture by the Minister of Agriculture, who knows that the large landholders as well as the bankers and industrialists would refuse to consider concessions along the lines proposed by the more radical farmers. Yet the political situation will be materially influenced by the attitude of the Small Farmers party, whose leader, the energetic Tibor Eckhardt, is among the close personal friends of Goemboes. It is hardly likely that this party, made up as it is of heterogeneous elements, will take a radical stand against Goemboes. Despite the great consideration he has always shown for the landed aristocracy, he still comes nearer to representing the demands of the small farmers than any other political leader who might become Prime Minister.

The industries of Hungary are undeveloped and outside Budapest are of no great national importance. Official statistics report 250,000 factory workers and 48,000 miners. The Hungarian laborer is poorly paid. He works from ten to twelve hours a day and even longer. In Budapest wages vary from 20 to 25 pengoes ($3.40-$4.25) per week. In the coal fields of Gran the best-paid miner earns 4 pengoes (68 cents) per day on piece work. Even more miserably paid are the farm hands who, during the Summer months, work from 4 or 5 A. M. to 8 P. M. for 80 filler (16 cents) per day. Yet farm laborers are treated far worse by their employers than are the workers in factory and workshop.

The hatred of the small farmer for the aristocrat and large landowner becomes in the Hungarian worker a vague and unclear revolutionary emotionalism. This is because there is no revolutionary party with a purposeful leadership. The Communist party, outlawed and almost exterminated since

1919, functions only with the greatest difficulty. In August, 1932, for example, two young Hungarian Communists were executed for having returned from Moscow to Budapest to establish a Communist bureau there. The Social Democratic party and the trade-union movement, although represented in the Hungarian Parliament and wedded to a strictly reformist policy, are also influenced by the measures adopted to suppress radicalism. From the Socialist standpoint, as expressed in Parliament, the accession of the Goemboes government is "an aggravation of the already existing crisis. * * * Its chief purpose is to distract the attention of the dissatisfied masses in the towns and villages from the impossible economic and political conditions." This statement was followed immediately by the suppression of *Nepszava*, the Social Democratic daily, for eight days and by the Prime Minister declaring that "civil rights must be safeguarded, but they must not be abused to an extent that is inimical to our national interests."

The rebelliousness of Hungary's poor peasants is not an isolated phenomenon. The same kind of discontent is ripe among the downtrodden farmers of the Balkan countries and may yet be strong enough to thwart Mussolini's purpose of Italian political control and economic supremacy in those States. A Fascist Hungary might thus be of great importance to Italy, which in turn could grant economic advantages to Hungary and the countries of the Little Entente. For that reason Hungary is more and more definitely transferring its sympathies from France, by whose finance it has been dominated since the World War, to its new Italian friend. A Fascist Hungary, in fact, might yet become the connecting link between Mussolini and his idea of supremacy in the Mediterranean and the Balkan countries. But before that is possible Hungary's internal problems would have to be dealt with and solved along the lines contemplated by Prime Minister Goemboes, and it yet remains to be seen whether he can succeed with his Fascist ideas.

British Labor Moves Left

By George E. G. Catlin

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A CAMPAIGN in Great Britain for the restoration of the fortunes of the Labor party was launched at Nottingham on Nov. 28, 1932, by the veteran Socialist leader George Lansbury. That campaign will need luck as well as vigor if it is to achieve its object, because, in spite of growing discontent with the present government among the working—and still more among the workless—classes in Great Britain, Labor has not yet weathered the storm which swept it out of office nearly a year and a half ago. The results of the municipal elections of the Autumn of 1932, though hailed in some Socialist quarters as indicating the turn of the tide that will swing the defeated back to power, showed in actual figures little more than the expected dissatisfaction with a program of national economy.

Throughout its months of opposition, the British Labor party has been handicapped by multiple difficulties, which arise from the unusual circumstances of the last general election, the economic crisis through which Great Britain is now passing and the present composition and temper of the party itself.

The events of the Autumn of 1931 threw the entire organization and leadership of the party out of gear. On Aug. 24, 1931, Ramsay MacDonald went to Buckingham Palace to inform the King of the resignation of his Ministry. He returned to tell the Cabinet that its resignation had been accepted—but the usual procedure had not been followed. Instead of the leader of the Conservative Opposition being called upon to provide an alternative government, MacDonald announced that he had been requested by the King to remain in office and form a Cabinet upon coalition lines. The bulk of the Labor party, however, led by Arthur Henderson, the late Foreign Secretary and party organizer, went into opposition.

Now this was not only a remarkable constitutional procedure; it at once weakened the position of the Labor party. The King acts upon the advice of his Ministers and, in effect, upon the advice of his Prime Minister. The monarchy, however, always becomes most constitutionally significant in times of political crisis. In this case it seems reasonable to suppose that, in effect, the Prime Minister acted upon the advice of the King, and retained office, not as the Socialist leader, but as a distinguished statesman of Labor traditions, who was competent to unite around himself a multi-party Ministry under royal approval. The knowledge of that approval undoubtedly commended him to the public.

Nor was that all. MacDonald's action in forming a Coalition Ministry entitled him to claim that he had put the interests of the nation above those of party, while his late Socialist colleagues had put their party before the nation. The cry of "national unity" in a time of economic panic was worth 500 seats in the House of Commons to the government. The protest of the more fiery Socialist speakers that MacDonald had betrayed his

cause, was answered by the Premier's supporters that Socialists were ready to betray their country. Patriotism and anti-patriotism became bywords of the hustings, and the merciless invective of Philip Snowden, the National Labor Chancellor, levied against his former colleagues, produced a profound anti-Socialist sensation which did not disappear at the polls.

It was not easy for the Labor party to replace the leadership of their departed chief and his national colleagues. Though it was "Uncle Arthur" Henderson who had built up the machine of party organization with a diligence and dexterity almost unequaled in English party politics, it was Ramsay MacDonald's picturesque figure that had captured the imagination of the general public. In the middle of the election campaign, Henderson's health broke down, and when, in the early Spring, he recovered, he was forced to be at Geneva, fulfilling his function as chairman of the Disarmament Conference. The full onus of leadership was thrown upon the shoulders of George Lansbury, a man over seventy, who, though remarkable in physical and mental vigor, and personally one of the most popular in the party, had developed his political ideas in circumstances far different from those with which he was now confronted.

None of these disadvantages, however, was so disastrous to the prestige of the Labor party as the wave of economic depression which swept Great Britain in October, 1931. The budget had been balanced, but, in spite of a loan from abroad of £130,000,000 the national government had proved unable to maintain the gold standard. In September, 1931, the number of unemployed receiving relief had reached 2,824,772. The adverse balance of imports over exports in the same month was valued at £38,448,000. Alarm was general, and everywhere the fear of bank failures was intensified by recollections of the collapse of the German mark in 1922. The denunciation of the Socialist policy whose extravagance had brought the country to the brink of ruin, and the appeal for unity, economy and national revival, on Oct. 27, 1931, gave the National Government 552 seats in the House of Commons. The Labor Parliamentary Opposition was reduced to 46, with the precarious support of six unofficial Socialists. Labor, therefore, went into opposition with a disadvantage which was not alone overwhelming in numbers. To its political and strategic difficulties was added the problem arising from the world economic situation.

Labor's defeat represented essentially the bankruptcy of what had been called "prosperity socialism." This was a policy that had been based upon the theory defined by the great Fabian exponent, Sidney Webb, as "the inevitability of gradualness" and involved the amelioration of working-class conditions—within the existing framework of the capitalist system—by ever increasing doses of public money, obtained by a graduated system of taxation and expended upon social services, insurance benefits and higher wages. This policy had now failed. The capitalist system in Great Britain, already heavily hit by the world trade depression and by the passing of that monopoly of certain manufactured exports upon which its original prosperity had been built, could not afford the additional drain upon its resources of Socialist "gradualness."

Two alternative policies were then conceivable. The first was a clean break with capitalism, and a Socialist program of both remedy and reorganization; but for such a policy public opinion was in no sense ready. For the second the country had, in returning the national government, declared with unequivocal assurance for the full restoration of prosperity to the capitalist system by reducing all grants to public services, by relief of industry from taxation, by the encouragement of empire trade through negotiations opened at an imperial

economic conference and by the stimulation of home manufacture for home markets through a system of tariffs.

At the general election, the Labor party found itself in definite opposition to the second policy without feeling ready to commit itself to the first. It was not only associated with the "ameliorist" program by having practiced it in office, but many of its older leaders had become sincerely attached to its principles through years of patient effort, and were exceedingly reluctant to abandon them as no longer practicable. Nor was there any united agreement upon a positively Socialist program. The previous elections had not been fought on this; the official statement, *Labour and the Nation,* lent itself as much to a reformist as to a more pronounced Socialist interpretation, and the consequence was that while the 550 supporters of the national government could assure their constituents that their united intention was to save the nation and capitalism together, the forty-six labor members were committed neither to salvation nor to destruction, and consequently were robbed at once of more than half the force of their appeal.

Further, the Labor party was handicapped by its own hesitations on the fiscal issue. The election had been fought to no small extent upon the question of tariffs versus free trade. The Conservatives insisted upon their traditional party remedy; MacDonald and his followers, in a less committal fashion, asked for a "free hand"; the national Liberals, following Sir John Simon and Sir Herbert Samuel, promised to give temporary tariff measures impartial consideration on the merits of the case. So far as the country was concerned, the national candidates stood committed to examine and probably to adopt protective tariff measures.

In the circumstances, Labor candidates appeared to be fighting the election as free traders. Since the days of Joseph Chamberlain, citizens had voted for tariffs or for Cobdenite free trade, and now, since the national candidates preached salvation through protection, their Labor opponents countered by stressing its dangers, its interference with international markets and its opportunities for the play of vested interests. To some Labor candidates, these arguments were unanswerable. Arthur Henderson and the late William Graham were both, by early education, free traders. Free trade commanded the international sympathies of other prominent members of the party. Free trade was anti-Tory, and its espousal might be expected to win the votes of hesitating Liberals. The issue was complicated by the fact that Philip Snowden, the stanchest free trader of the party, who while Chancellor of the Exchequer had impeded various Socialist measures for control, especially in agriculture, had joined the protectionist party, owing to his sense of the major obligation—to balance the budget.

Moreover, free trade is not essentially a Socialist principle. The Labor party was already committed in its official statement of policy, *Labour and the Nation,* to the principle of trade control in connection with the work of industrial planning and socialist organization. It had gone still further during the Labor party conference at Scarborough in 1931, when it approved of a system advocated earlier of bulk purchase of raw materials and of control by import and export boards.

Labor, therefore, went into the tariff controversy with a divided mind, and through the accidents of political strategy, came out on the losing side. When the national government began at once to put its policy into practice, the Labor opposition found itself committed to a long rear-guard action, fighting a fiscal system about which it had not yet reached a decision.

During the subsequent year, however, the position of the Labor party has been clarified. It has fought the

new protectionist policy, not on the old Liberal ground that tariffs restrict trade and interfere with the principle of *laissez-faire* but because they are ineffective in action, nationalistic in conception and, in practice, penalize the working-class consumer for the benefit of industrial dividends. It has declared that once tariff walls are erected, with their concomitants of sheltered industries and vested interests, it will be immensely difficult for Great Britain, even when the crisis is past, to cut adrift from the system. It has been highly skeptical about the alleged advantages of tariffs as weapons for bargaining with other nations. And further, it has been able to point out that the immediate effect of the new duties was to do away with the trade benefit, pleaded by the government, to be expected from the devaluation of the pound.

Fortunately, Labor has been able to show that actually the new measures have had little effect upon national prosperity. By September, 1932, the unemployed on the register numbered 2,858,011, which, together with those who would have been registered save for the anomalies act and other administrative alterations, makes a total of at least 3,028,000. The excess of imports over exports in the same month stood at £28,638,000, the change as compared with the previous year being the result of a decrease in imports. The resignation, after Ottawa, of the Samuelite Liberals and of Lord Snowden in protest against the national government's imposition on the country of an elaborate tariff system, with overseas obligations, added great strength to these Opposition arguments.

Thus in the course of the year, the Labor position on the primary fiscal issue passed from embarrassment to greater confidence, as events strengthened its hand, and as its theorists cleared their own minds. By the time of the Parliamentary debate on the Ottawa agreements its spokesmen were no longer dependent for their objections upon the old Cobdenite arguments. They were free to point out that, while there is no objection to regional agreements between States maintaining a high standard of living designed to check unfair competition from low-grade capitalist countries employing the weapon of wage-cuts, these understandings should emphatically be economic and not national in principle, and should therefore include the Scandinavian countries, the Argentine and the United States.

Socialists were able to prophesy that the advantages to British industry, especially to the primary interests of cotton and steel, were likely to be small, that the increase of food prices was certain, and that the Ottawa agreements were, at their best, one more example of that nationalistic restraint of trade which is everywhere throttling the chance of economic recovery. Lansbury, speaking in Derbyshire on Nov. 14, 1932, declared that Labor refused to consider itself bound by continuity of policy, and if returned to power, would cancel the Ottawa agreements at the first opportunity.

The task of Labor in relation to other problems of international policy has been psychologically simpler, for its own mind has been clear at least on the question of world peace. But here the government's record has been more respectable, and less easy to fight. In foreign policy, MacDonald retained his only sphere of non-Conservative action, and although the hesitations of Sir John Simon at the Disarmament Conference, during the early months of the Manchurian affair, and throughout the whole complicated discussion of Franco-German relations, made him a convenient butt for Socialist criticism, Stanley Baldwin's continued support of the Prime Minister enabled him to avoid those extremes of nationalism into which his more fanatically Conservative colleagues would have led him, and which would have supplied the Oppo-

sition with more effective powder and shot.

It has been in India and Ireland that the national government has laid itself open to more fundamental criticism, and here Lansbury has led a vigorous campaign, especially against that policy of Indian emergency ordinances under which not only terrorists but many Indian political leaders have been imprisoned on the ground of civil disobedience. While condemning terrorism and all forms of violence, the Labor party has urged that the methods of suppressing disorder should provide adequate safeguards against miscarriage of justice. It has further maintained that the only stable basis for the constitution of an autonomous India is to be found in the free collaboration of all the major political groups, and not in the substitution of repression and outlawry for discussion, in the hope that Liberal politicians, with limited popular support, may prove adequate substitutes for the imprisoned Congress leaders. During the party conference at Leicester in October, 1932, this attitude received emphatic endorsement.

Meanwhile, the dispute with the Irish Free State has given ample opportunity for that criticism of imperialism which has remained one of the major planks in the Socialist platform, though the virulent nationalism of President de Valera is theoretically no less objectionable to Socialistic purism.

Neither fiscal, foreign nor imperial policy, however, has held the centre of the political stage. The tariff proposals were prepared by the government as a cure for trade depression, but unemployment has overshadowed all discussion of indirect and eventual remedies. Here Labor has had a perfectly clear and undisputed obligation. The national government, in the hope of ultimately restoring opportunity for work, began as soon as it came into office to practice those "economy cuts" which have reduced insurance benefits, diminished the operation of social services, and decreased the wages of government employes. All these experiments, the Labor Opposition has observed, merely intensify the present economic chaos by increasing the causes for underconsumption.

Most obnoxious of the unemployment policies has been the operation of the device known to the country as a whole as the "means test," and to the Conservative *Times* as the "need test." This measure of economy resulted from the recommendation of the May Economy Committee, appointed by the Labor government. Labor Ministers themselves when in office had considered various possibilities of its application without reaching any decision. As the national government adopted it, it meant the refusal of transitional benefit to all unemployed whose near relations were judged able to support them. The test was administered by the public assistance committees of local authorities, and was associated in the minds of the workers with all the humiliation that in England still attends poor-law relief from local rates. The practice of the different local committees varied widely, but among other hardships fiercely resented by the unemployed were the counting against relief of war pensions and the orders to liquidate savings and sell cottages before benefits could be received.

At the end of the first Parliamentary session the need for some revision became clear even to the government. But its supporters still upheld the necessity for drastic economies in public expenditure, the closing down of nursery schools, the curtailment of health and educational services and the postponement of municipal building. Such expenditure, it was maintained, actually increased unemployment, since burdensome taxation discouraged private industry, enterprise and investment.

The Labor Opposition, however, upholds the contrary view. It has persistently declared that adequate scientific and mechanical means exist in

the Western World to provide a sufficiency of communal wealth. The cause of poverty must be sought in defects of the economic system, and it is inappropriate to inquire into the extent of contributions made mutually, thanks to filial or parental sentiment, by members of the poorer classes.

The effectiveness of this case depends very largely upon external circumstances. If the government could, by its chosen methods, restore some measure of prosperity to the State, its position would be enormously strengthened, and the Socialist appeal would still attract, on the whole, only the victims of an economic system that operated well enough to satisfy the majority of citizens. But such prosperity has not yet been achieved.

Meanwhile the Labor party has had time to reconsider its position and to measure the failure of that "prosperity socialism" upon which it endeavored to base its policy while in office. During these months in the wilderness the most significant development within the party has been the deeper comprehension of the precise meaning of socialism. Socialist publicists, like Harold Laski, G. D. H. Cole and R. H. Tawney, and organizations such as the Society for Socialist Enquiry and Propaganda, have spent their time endeavoring to make clear to the rank and file of the party and to the trades unions the economic and political implications of the Socialist creed and the reasons why the old compromise policy so signally failed.

The proceedings of the Leicester conference last October indicated the measure of the advance. An amendment, proposed from the floor of the conference, extending the party's proposal to nationalize the Bank of England so as to include also joint stock banks, secured a majority of votes. A resolution was also adopted to require that the next Labor government be instructed immediately on assuming office to promulgate definite Socialist legislation and to stand or fall by the principles in which the party holds faith. Executive proposals were adopted for the establishment of a national transport board for the unification, coordination and control of transport facilities, for the national ownership of electrical power and for the national planning of agriculture with authority to regulate imports. A more conservative report submitted by the general council of the party to the Trades Union Congress in September, 1931, was referred back.

All this means that, in opposition, Labor has definitely moved to the left. It still has not gone far enough for all British Socialists. The Independent Labor party, one of the mother bodies of British socialism, has a membership whose quality—ardent, self-sacrificing and alert—gives it far greater influence than does its numerical strength. But the I. L. P. refuses to recognize in the new developments within the Labor party an adequate break with the old meliorist policy of compromise. In July, 1932, at a conference held in Bradford, it voted by a considerable majority to break away from the Labor party. Under the chairmanship of Fenner Brockway, an independent group has been formed pledged to "psychological revolution" and a complete revolt against the implications of the dominant economic system. Thus has the Labor party lost its picturesque and ebullient Left Wing.

The minority of the I. L. P. which at Bradford voted for continued affiliation with the official party, has not been content to relapse into mere inarticulate membership. Under the chairmanship of E. F. Wise and with the blessing of Arthur Henderson, its more active representatives have formed a new body called the Socialist League, to act as a vigorous propaganda and research organization within the party, and in close cooperation with the Society for Socialist Enquiry and Propaganda. The constitution of the new League states that "aware of the evils that a physical struggle would bring with it, the So-

cialist League seeks to avoid it by rallying to the movement of liberation forces irresistible not merely by their numbers but by their reasoned conviction." It proceeds to emphasize the importance of a spirit of personal devotion, and its founders desire to realize in it something comparable to the "Z Society," which, on various occasions, H. G. Wells has sketched. They seek to supply the Labor party with an organized Socialist stiffening, and with something corresponding morally to a body of shock troops. It is still too early to prophesy whether the new league will succeed in stirring its members to that disciplined enthusiasm which has on other occasions enabled organized minorities to change the political and economic system of modern States, or whether it will go the way of a dozen other Socialist organizations, and subside into little more than an amiable sectarian debating society.

What is already clear is that the temper of the British Labor party has changed and is still changing. Its younger members are passing through a period of transition when common agreement upon questions of finance, nationalization, fiscal control and the reorganization of industry is still difficult to achieve. It still faces the unsolved problems of sectional jealousy between the political and industrial branches of the movement, the "intellectuals" and the "working classes." The degree to which, in periods of crisis, traditional constitutional and Parliamentary methods may be set aside, has hardly yet been debated, though individual publicists and politicians continue to express varying opinions, which would gain in significance at the approach of such anticipated crises.

The party as a whole becomes increasingly formidable as it forsakes its earlier Liberal inclinations and strengthens its Socialist character. It is preparing to offer to Great Britain not merely an alternative political government but an alternative way of life. The intensification of national difficulties, the growing hardship of the working classes and the gradual consumption of trade union resources only confirm this development. While in office the British Labor party was prepared to compromise with capitalism, but in opposition it has turned Socialist.

LONDON, December, 1932.

Toward Safer and Stronger Banks

By J. M. DAIGER

[Mr. Daiger has written on various aspects of finance and banking for American periodicals. In CURRENT HISTORY for October, 1932, he contributed an article entitled, "Did the Federal Reserve Play Politics?"]

WHATEVER the action of the present Congress on the banking reforms projected by the Glass committee, a number of banking leaders and economists will urge the incoming administration and Congress to bring about changes in the American banking structure, not only more fundamental than the current Glass bill contemplates, but in line with the historic reforms initiated just twenty years ago by President Wilson, Carter Glass, then Chairman of the House Committee on Banking and Currency, and other sponsors of the Federal Reserve act.

Those reforms, as no one realizes better than Senator Glass himself, have never been fully achieved. On the contrary, the greatest banking catastrophe in the history of the United States has occurred during a period in which the Federal Reserve System was at its strongest. Because the system was powerless to avert the sudden and widespread undermining of an enormous part of the country's monetary and credit structure, the larger reforms referred to will be pressed as soon as Senator Glass's pending bill has been acted on, and as rapidly as the various banking factions can be persuaded to accept a common policy.

After the two years of furore and alarm among bankers over the prospect of mandatory reforms imposed from Washington, a substantial body of banking opinion, strangely enough, now regards the Glass bill not as "going too far," which was the original objection to it, but as not going far enough. As will presently become clear, this is by no means inconsistent with the resistance to new legislation manifested by bankers a year ago and two years ago.

A revision of the Federal Reserve act under Senator Glass's leadership was foreshadowed by his warnings during the speculative excesses of 1927-29, though at the time he saw that the obsession of "prosperity" had such a hold on popular, political and banking imagination as to render futile any attempt at remedial legislation. By the Summer of 1930, however, the situation had changed. During the long and inconclusive extra session on tariff revision he therefore tentatively put forward a program designed to remedy, in the Federal Reserve and national banking systems at least, defects and abuses that had contributed to the orgy of speculation. In the latter part of January, 1931, the Glass committee began its hearings at the regular short session of Congress. A serious banking panic, though for obvious reasons it was not called by its real name, had then been in progress for three months. Some 800 banks had failed, among them the two largest American banks ever to close their doors, and innumerable other banks were facing runs.

Nothing was now more remote, therefore, than an early renewal of the banking practices that had encouraged excessive speculation. The conditions of 1927-29, with which the Glass program was mainly intended to deal, had changed much more than was expected when the Senate had ordered the inquiry by the Glass committee. Hence bankers confronted on

the one hand by an alarming crisis, and on the other by an investigation and legislation for which they held there was no urgent need, assumed toward the Glass program an attitude of either disparagement or open hostility. There was, moreover, a wide difference of opinion among themselves on some of Senator Glass's proposals, though a few important leaders advised far more drastic changes than Senator Glass then proposed. George L. Harrison and Owen D. Young, governor and vice chairman respectively of the Federal Reserve Bank of New York, urged that all commercial banking be brought within the Federal Reserve System and under uniform regulation. John W. Pole, then Comptroller of the Currency, repeated his proposal that trade-area branch banks be authorized throughout the national banking system. Henry M. Robinson, chairman of the Security-First National Bank of Los Angeles, and the most intimate of President Hoover's banking advisers, urged the immediate creation of a Federal Reserve agency to provide relief to depositors of closed banks, and provision for such an agency, to be known as the Federal Liquidating Corporation, was subsequently included in the Glass bill. But these men were decidedly in the minority. Most bankers, through their national associations, stuck to the policy of resistance to any material changes in the banking laws.

Senator Glass, remembering that precisely the same organized resistance had come from the great majority of bankers when his bill of 1913 was being drafted, nevertheless proceeded with the banking inquiry. In January, 1932, after the reconvening of Congress, his committee unanimously reported its bill, subject only to Senator Norbeck's dissent on the branch-banking provisions. As is well known, the bill as then introduced in the Senate caused consternation throughout the banking community, and the feeling was shared in part by the Federal Reserve authorities both in Washington and in the several Federal Reserve districts. The main causes of alarm lay in three of the thirty-four sections of the committee's complex bill, the whole of which covered sixty-one printed pages.

The first, and at the outset most serious, anxiety resulted from the discovery by Federal Reserve officials and officers of member banks that the bill apparently made obligatory a great liquidation of security loans and investments then held in portfolios of member banks—and this at a time when the security markets were already demoralized. Although such a purpose was disavowed by the members of the committee, the language of the bill was undoubtedly ambiguous.

Second, the bill specifically required member banks with security affiliates to divorce themselves from the latter within three years. The business of some of these affiliates had, in recent years, grown enormously and had become closely bound up with the nation-wide network of the large correspondent banks in New York and Chicago which handled the reserves or other funds of thousands of smaller banks. Only a few of these correspondent banks, conspicuously the Central Hanover of New York and the First National of Chicago, were not operating through affiliates as aimed at by the Glass bill. The large banks with such affiliates fully expected them to be placed under Federal supervision; in fact, Albert H. Wiggin and Charles E. Mitchell, speaking for the Chase National Bank of New York and the National City Bank of New York respectively, had themselves recommended this to the Glass committee; but the formal move to abolish the affiliates came as a violent shock. Further, it coincided with a period of great international disturbance and with the passage of the Reconstruction Finance act to deal with the banking crisis in the United States.

Third, the bill authorized national banks with a capital of $1,000,000 or more, subject to approval by the su-

pervising and examining authorities, to establish State-wide branches and to cross State lines within a trade area of fifty miles. Branch banking is historically a subject of controversy, never more bitter than in recent years, among American bankers. Since about two-thirds of the country's banks are State banks, and since all but a few States either rigidly limit branch banking or prohibit it altogether, the Glass committee's proposal to disregard both State laws and State lines was instantly resented.

While the second and third of these provisions roused most of the opposition to the Glass bill, the concern momentarily roused by the first was seized upon as common ground for a vigorous drive to "kill the bill." In addition, some banking leaders, though in general accord with the conclusions of the Glass committee, regarded the bill as causing an inopportune controversy in the midst of the confusion and uncertainty arising out of the banking crisis, which had then lasted for fifteen months. In fact, the crisis was not really past until the last week of June, 1932. When, however, the present session of Congress opened in December, a marked change had evidently taken place in the attitude of many bankers toward the two recommendations that had drawn most fire.

With regard to security affiliates, an important influence was the unanimous concurrence of the Federal Reserve Board, on March 29, 1932, in the recommendation that after three years member banks with such affiliates be separated from them, and that the latter meanwhile be placed under Federal regulation and supervision. This discountenancing of security affiliates by the Federal supervising and examining authorities—among whom were Secretary Mills, Comptroller Pole and Governor Meyer, the last a former Wall Street banker of large experience and widespread interests—was too important to be disregarded by any part of the banking community, and no attempt was made to do so.

Another highly important factor, which came into play in April, 1932, was the disclosure by the Senate stock-market inquiry of the Anaconda "pool" operations of Percy A. Rockefeller and James A. Stillman, leading directors of the National City Bank of New York, during a period when the National City Company was projecting its huge accumulation and distribution of Anaconda shares. This disclosure led in June to the admission by Charles E. Mitchell that such operations were not "within the precincts of propriety" for a bank's directors. Then, disclaiming contemporary knowledge of any of the various pool operations of Rockefeller, Stillman and other City Bank officials, Mr. Mitchell volunteered the assertion that he could reproach himself for National City's own activities in Anaconda. "If you asked me now," he said, "whether in the light of experience I think an operation of this kind is a good thing for a bank or a bank affiliate, I tell you frankly I do not." Asked whether National City had created any good-will by going into the sale of stocks, he answered tersely: "We created ill-will."

The most impelling of all the influences that account for the change of front toward affiliates is the extent to which many of their activities, eventually ending disastrously, have impaired the public relations of the parent banks. They have done much to discredit and undermine the correspondent banking system. The actual or potential losses incurred by thousands of small banks and by their officers individually, and attributed in innumerable instances to the relationship of correspondent banks with affiliates, have in the past year or two reached a staggering total. Senator Glass's chief collaborator in the work of the Glass committee, Senator Walcott, who, like Governor Meyer, is a former Wall Street banker and a man of large means, has lately been more severe than Senator Glass himself in condemning this aspect of the affiliate relationship. Senator Walcott holds it

to be primarily responsible for the bank failures and other banking troubles of the last three years.

The result of this investigation and criticism during the year that has elapsed since the Glass bill was introduced in the Senate has been that, with only three important exceptions, the largest banks operating security affiliates, and many smaller banks as well, have announced that henceforth they will confine their security dealings to those explicitly permitted to them by law. They have accordingly either eliminated their security affiliates completely or taken the necessary legal steps to do so. In other words, one of the two proposals for reform that upset the banking community only a year ago has already been voluntarily carried out on a scale then held to be impracticable within a limit of three years.

With regard to the Glass committee's proposed extension of branch banking, the shift in the position of many bankers has been less pronounced, but by no means inconsiderable. While most bankers are still undoubtedly hostile — there is no evidence, as Senator Glass has pointed out, that depositors share this hostility—the number of bankers who favor State-wide or trade-area branches has been steadily increasing for some years. During the last three years it has increased rapidly, and since the Glass bill was introduced more than in any corresponding period. Of about 30,000 banks that existed when the thirteen-year epidemic of bank failures began in 1920 more than 10,000 have failed, half of them in the last three years, and it may be safely assumed that at least 90 per cent of those which failed were among the majority opposed to branch banking. Lately, too, there has been a changing outlook among both country banks and "neighborhood" banks that have been hard hit by the depression and discouraged by the prospect of having to re-establish a satisfactory earnings-position on their limited capital. Many of these, including a large part of the 5,000 banks that have had to seek Federal aid through the Reconstruction Finance Corporation during the past year, would welcome either State or Federal legislation that would enable them to negotiate with large metropolitan banks to be taken over as branches.

At the same time some large correspondent banks, formerly inclined to discourage branch banking, have been seeing things in a new light. During the recent crisis the correspondent relationship became in numerous if not indeed in most instances a distinct liability and a source of anxiety and loss. Much of the aid extended directly to small banks by the Reconstruction Finance Corporation had the indirect purpose of paying off the loans they had obtained from their metropolitan correspondents. This in part accounts for the much greater liquidity shown in the composite statements of "reporting member banks" than in those of smaller banks. The decisive influence, however, in winning over many metropolitan bankers to the branch-banking proposals of the Glass committee was the two-year avalanche of failures in the Chicago district, for years the stronghold of the opposition to branch banking in any form. These failures culminated in June, 1932, in a threat to the entire banking system of the country, and necessitated the total guarantee of the deposits of the Dawes bank by a group of New York and Chicago banks and the Reconstruction Finance Corporation in order to avert a national disaster. The lessons of that experience, as Thomas W. Lamont, the principal spokesman of the Morgan banking interests, observed in his plain-spoken address to the Academy of Political Science, on Nov. 18, 1932, "must be glaringly obvious to the whole country. * * * The small, ill-capitalized institutions should be merged [as branches] so as to gain the normal stability, diversity, econ-

omy and management of the larger concerns."

But even for Mr. Lamont this is plainly a long and bold step, however logical, from the indiscriminate condemnation of the Glass bill—from the absurd denunciation of it as the chief obstacle to financial confidence and business recovery—voiced by the banking community and the financial press during the early months of 1932. Yet so great has been the cumulative pressure of events that many other bankers, in common with Mr. Lamont, now not only frankly support the most disputed recommendation of the Glass committee but in addition join with Governor Harrison, Owen D. Young, Frank A. Vanderlip, Pierre Jay and other leaders who have recently urged a reorganization of the entire banking structure on the Federal Reserve foundation.

The failure of the Federal Reserve Board to join the Glass committee in taking a forthright position on the question of branch banking has been variously interpreted. Approval by the board would, of course, have carried great weight, as did its declaration on security affiliates. The board, however, did not formally commit itself on branch banking, because of its decision, in responding to Senator Glass's request for a statement of its views, to confine its conclusions to matters on which the members were unanimous. Five members—Secretary Mills, Comptroller Pole, Governor Meyer, ex-Governor Charles S. Hamlin and Dr. Adolph C. Miller—were disposed to concur in the committee's branch-banking recommendation; the remaining members, George R. James and Wayland W. Magee, were not prepared to give a final decision.

During the weeks of the final hearings on the Glass bill, of which the presentation of the board's report by Governor Meyer was the climax, the atmosphere of bewilderment and belligerency was so great in both Wall Street and Washington that it was virtually impossible for the public to obtain a coherent account of what was going on in the crowded committee room of the Senate Banking and Currency Committee. Thus the most important recommendation made by the Federal Reserve Board escaped the wide notice and discussion that it merited until it was recalled by the vigorous support given to it by Mr. Lamont. Actually the board unanimously put forward the only proposal on which there is a prospect of effecting an agreement between the banking majority that opposes branch banking—the so-called irreconcilables—and those who hold that a decisive and nation-wide raising of standards is manifestly imperative if the future of American banking is to be essentially different from its disastrous past. "It should be recognized," the board said, "that effective supervision of banking in this country has been seriously hampered by the competition between member and non-member banks, and that the establishment of a unified system of banking under national supervision is essential to fundamental banking reform."

This in reality restated the essence of the Federal Reserve act. When that act was adopted its authors expected that, once the Federal Reserve System was established, virtually all commercial banks in the country would before long qualify for membership, and that a general raising of banking standards would thus result. On the contrary, the great majority of State banks from the outset resisted all overtures made by President Wilson and the Federal Reserve authorities to induce them to apply "voluntarily" for the membership that was mandatory for all national banks. In this resistance they were encouraged by the large correspondent member banks, which became in effect the reserve system of the non-member banks, offering them inducements, particularly in the form of interest on reserve balances, that were not avail-

able through the Federal Reserve Banks. Then, beginning in 1917, Congress progressively lowered the Federal Reserve and national bank standards, first making the requirements for membership for State banks less exacting than for national banks, and subsequently relaxing the restrictions on national banks to enable them to compete more effectively with the State member and non-member banks operating under "liberal" charters.

At the peak of State-bank membership, in 1922, only 1,648 in a total of about 20,000 State banks had entered the Federal Reserve System. At present, of less than 12,000 State banks that have survived the bank failure epidemic of 1920-33, fewer than 800 are members of the system. And it is among the State banks, of course, that most of the failures have occurred. The total number of failures in the thirteen-year period has been approximately 10,750. Of these, about 9,150 have been among State banks. The State banks also predominate among those receiving Federal aid through the Reconstruction Finance Corporation, as they did in the earlier years of the bank failure epidemic, when similar Federal aid was extended to about 6,500 banks by the revived War Finance Corporation. On the latter's list more than 80 per cent were State banks; on the list of the Reconstruction Finance Corporation more than 70 per cent. The work of both these auxiliary banking systems established by the Federal Government to deal with banking crises has made it evident, in the opinion of competent observers, that the "reserve system" of the correspondent banks, on which approximately two-thirds of the banks in the country have previously relied, is a "fair-weather system" that cannot be regarded as an acceptable alternative to membership in the Federal Reserve System.

To the continuous lowering of banking standards for both State and national banks over the last fifteen years the Federal Reserve Board ascribes the failure of more than a third of the country's banks since 1920. The position of the board, therefore, as reflected in its chief recommendation to the Senate Banking and Currency Committee and in the testimony of Governor Meyer at several Congressional hearings in the past year, is that the banking crisis of 1930-32 was primarily caused, not by the depression, nor by events abroad, nor by the speculative excesses that originally prompted the Glass bill, but by defects inherent in the country's banking structure as a whole—defects that cannot be remedied except through legislation by Congress to bring all commercial banking in the United States under uniform standards of regulation and practice.

The essential problem stated by the board and by other banking leaders who support its position is to eliminate what Governor Meyer has at various times called "competition in laxity." He first used the phrase in 1923, when, as managing director of the War Finance Corporation, in describing the causes of the post-war banking crisis, at a hearing by the House Banking and Currency Committee, he pointed out that the unwholesome and mutually weakening competition between the forty-eight State banking systems and the national banking system was a matter of serious concern. "Nothing," he said, "could be more disastrous than competition between the State and the national banking groups based upon competition in laxity." As the remedy, he urged an effort toward "mutual understanding" among banking leaders who were in a position to influence the State non-member banks to become members of the Federal Reserve System. He has since, however, in common with Senator Glass, Mr. Hamlin, Dr. Miller, Mr. James and others who formerly hoped that a unified system might be established by voluntary action of the

banking community, come to the conclusion that it can be accomplished only through Federal legislation.

A measure sponsored by Senator Glass and designed to create the unified system of banking recommended by the Federal Reserve Board may thus be expected to be one of the major legislative proposals of the Roosevelt administration, though perhaps not in the forthcoming session of Congress. At Senator Glass's request the legal department of the Federal Reserve Board last Summer and Autumn made an exhaustive study of the constitutional basis for the proposed measure. The results, in the form of a lengthy opinion by Walter Wyatt, the board's general counsel, were transmitted to Senator Glass by Governor Meyer early in December. The principal grounds on which Mr. Wyatt advised the board that the legislation be based are these:

1. The power to create the National Banking System and the Federal Reserve System as useful instrumentalities to aid the Federal Government in the performance of certain important governmental functions includes the power to take such action as Congress may deem necessary to preserve the existence and promote the efficiency of those systems.

2. Having provided the country with a national currency through the National Banking System and the Federal Reserve System, Congress may constitutionally preserve the full benefits of such currency for the people by appropriate legislation. (This is based on the practical ground that bank checks have become the principal circulating medium, and that bank failures therefore seriously impair the value of the chief national currency.)

3. The existence of a heterogeneous banking structure in which there have been more than 10,000 failures during the past twelve years constitutes a burden upon and an obstruction to interstate commerce; and Congress may enact appropriate legislation to correct this condition.

According to Mr. Wyatt's exposition, Congress has ample power to compel all institutions engaged in commercial banking to conform to all the requirements of the National Bank act; that is, either to convert themselves into national banks or to limit themselves to savings and trust functions under State laws. As a matter of practical policy, however, such an extreme measure has not been proposed by the advocates of a unified system of commercial banking. They have tended rather to put the emphasis on compulsory membership in the Federal Reserve System under uniform regulation and supervision. For this purpose it is to be expected that the Federal Reserve act would be amended, temporarily at least, to enable the Federal Reserve System to "reach down" to State banks that are at present not eligible for membership, but that might gradually be put in a position to meet the Federal Reserve requirements.

In the light of the lamentable record of bank failures and of the other troubles that have resulted in the demand for more comprehensive reforms than the pending Glass bill contemplates, one of the most significant comments of the board's counsel on further legislation is that with which his report concludes: "The time intervening between the enactment of such legislation and the date when it becomes effective could be devoted to the preparation and enactment of additional legislation for the purpose of providing further for the more effective operation, regulation and supervision of the National Banking System and the Federal Reserve System, by repealing undesirable amendments to the National Bank act and the Federal Reserve act which grew out of the competition in laxity."

America's Wandering Boys

By Owen R. Lovejoy

[An outstanding figure in child welfare work in America, Mr. Lovejoy was for a number of years general secretary of the National Child Labor Committee. Since 1927 he has been secretary of the Children's Aid Society, New York.]

Wandering aimlessly about the United States today are 200,000, maybe 300,000, homeless boys. Uprooted by the economic and social crisis, they seek they know not what in traveling back and forth across the country — hitch-hiking, riding the rods and employing the historic shank's mare. The social implications of this army of vagrants are no more certain than the exact number of the footloose. Some communities have found the homeless boy an acute problem; others have found the problem non-existent; but the homeless boy is a fact, and Newton D. Baker, chairman of the National Welfare and Relief Organization, has said: "I am sure their number is vastly in excess of any estimate anybody has made." Certainly some experienced social workers believe that the stage is set for a nation-wide demoralization of youth for which society in the future will pay a heavy penalty.

Children, of course, have been leaving home, running away, seeking adventure, stealing, begging, disappearing and getting into all sorts of difficulties since the world began. America has experienced its share of that problem, but no one—with the exception of the immediate family and serious-minded social workers—has been unduly excited because the number of children involved was "what might be expected."

Who comprise this army of vagrant children? Without doubt many people have mentally pictured a horde of little boys and girls scantily clad, thin-legged, hollow-chested, hungry, on the point of tears at bedtime because there was no bed, wandering in droves through town and country. Such an impression, if uncorrected, would present a serious obstacle to any organized or constructive work on behalf of homeless or wandering youth because, when the kind-hearted American looks up and down the streets or drives through the country without finding any regiments of this vast army, he is likely not only to recoil from any interest in the problem but also to have his confidence in the entire range of welfare work shattered. Fortunately the photographs published with these sensational tales show an absence of little children. These "boys on the loose" or "homeless children," who today are the object of so much public concern, are nearly all boys from 16 to 21 years of age. Many are vigorous, strong, husky young fellows, the age of runaway volunteers in time of war or of army and navy recruits in time of peace.

The ragged and dirty youth of 18 is seldom an object of pity, but rather of concern. He is too awkward to be cute and too big to be coddled. The public is irritated by his cracked voice and his condescending manner. Yet he is passing through the most difficult and critical phase of his history. He is undergoing a change that is no less mental and emotional than physical. In no other period of his life is the need for understanding and sympathetic comradeship more urgent.

It is impossible to determine the number of vagrant children; 300,000 may be too many, because surveys are contradictory. One must always ques-

tion whether these 300,000 represent individuals or community contacts. For example, a boy who leaves Seattle, riding the rods to New York, is more than likely to spend a night or two in San Francisco or Los Angeles, where he is counted among the homeless of those cities. He may appear in towns of New Mexico or Texas, in New Orleans, Atlanta, Richmond, Washington and Baltimore, or Kansas City, Cincinnati, or Buffalo, before reaching New York. In each place he may be counted among those who have been cared for and "moved on." Since the majority of this army is ever on the march, it is not unlikely that those cared for in the various cities are counted in five or ten places, so that the total number of individuals may be considerably less than the estimate of 300,000. But no matter what is the exact number, a social problem exists.

The presence of these wandering youths is less apparent in the East than in the West and South. In fact, in many smaller Eastern communities migrant youths have gone out of town instead of coming in, and distraught families are appealing to social agencies to try to locate their boys and to send them home. On the other hand, in larger cities, and especially in the West, a steadily increasing stream of youthful vagrancy calls for the most serious attention.

A few samples from the mass of data gathered throughout the country will help to visualize the situation. In Phoenix, Ariz., 1,530 transient boys between the ages of 16 and 21 were registered in 1932 by the Volunteers of America in one month—March 7 to April 4—and each boy was given only one night's lodging and three meals.

The Travelers' Aid Society in Salt Lake City reported that 1,050 boys passed through the city in five months ending March 1, 1932. But this was during the Winter, when travel was difficult. In the first two weeks of October, 1932, more than 400 boys passed through the city.

In Atlanta, from November, 1931, through April, 1932, the Salvation Army extended relief of some sort to 1,971 transient boys under 21 years of age among the 7,350 transient male applicants for aid; 116 of these boys were 16 years of age or less. The same organization has records for all the Southeastern States, a region where practically all work among transient boys is carried on by the Salvation Army. The following table, for three months of 1932, gives a fairly accurate estimate of the number reached by the Salvation Army, although its field secretary has said: "There were numerous boys and young men who did not apply to relief agencies, but used other methods of getting by while on their journey."

TRANSIENTS (UNDER 21 YEARS OF AGE).

Division.	June	July	August
Alabama, Mississippi	371	420	722
Florida and Georgia.	286	231	274
Gulf	305	424	316
Kentucky, Tennessee	515	825	705
Maryland	396	361	395
No. and So. Carolina.	1,003	1,051	1,397
Oklahoma	515	184	145
Texas	249	265	338
Virginia	224	281	437
Washington, D. C.	316	286	222
West Virginia	410	385	443
Atlanta only	69	74	65
Total	4,659	4,787	5,459

The Children's Protective Association of Los Angeles discovered that in the first six months of 1927—before the depression could be held responsible for this social burden—1,700 boys, without funds and without jobs, "were being bagged by the police and put in jail." As a result, the social agencies combined to develop the Community Boys' Lodge. This Community Boys' Lodge took care of 1,489 boys in the twelve months to Oct. 31, 1932, and of this number 51 were under 16 years of age.

In October, 1932, the Southern Pacific Railroad reported that it was carrying 2,500 transients a week. Formerly the railroad police would drive off the few tramps who emerged from the "jungles" and boarded the empties at the water tank; now the freights

swarm with so many—often 200 or 300—that extra cars are put on to avert accidents and help prevent the raiding of sealed cars and the stealing or destroying of freight. Other Western railroads are having similar experiences.

But apparently the situation in Eastern cities is different. The Salvation Army in Omaha reported on Dec. 7, 1932, that of the 625 transients each night at their Homeless Men's Bureau not over 10 per cent were under 21, while the number between 15 and 18 received during the year "could almost be counted on the fingers of one hand." Moreover, the divisional commander said: "I cannot understand just where this army of wandering boys can be. We certainly haven't seen any of them through our institution." A similar story came from Chicago, where "the boys * * * are wandering into the South and West and comparatively few are coming in to stay." A recent report from the Chicago Clearing House showed that only 1 per cent of the 6,800 men registered were under 21.

For the six months ending Dec. 1, 1932, the Cleveland Boys' Bureau reported a total registration of 694 boys from 15 to 21 years of age. Of these, 137 were Negroes and 457 white, but, the secretary added, "we have always felt that a great majority of the transient boys that came into the city never contact the agencies." He estimated that the increase in 1932 over the preceding year was less than 25 per cent.

The Cleveland Boys' Bureau is under the auspices of social service agencies to which boys are referred by the Central Registration Bureau. At the Boys' Bureau a case worker interviews and records their story, analyzes their problem and refers them to the proper agency for housing and food. The boys are persuaded not to continue their journey, but to remain in Cleveland, and meantime a thorough investigation is made. If possible, they are returned home; if not, other provision is made for them. All boys are given a medical examination. Boys suffering from venereal disease—and a considerable percentage are infected—are not admitted to the Boys' Bureau or the Wayfarer's Lodge, but are asked to move on without anything further being done for them. However, plans have recently been completed to arrest such boys for vagrancy and to commit them to the workhouse, where they will receive proper care and medical treatment and be discharged when no longer a menace to the community.

In New York City reports are constantly being printed that 6,000 or 7,000 homeless boys are wandering the streets; that 500 boys sleep every night in certain stations of the new Eighth Avenue subway; that 100 boys sleep in the corridors of the Lexington Avenue subway at Thirty-third Street; that scores of hungry boys are without any care or service from social agencies. Although the number of homeless boys is steadily increasing and has reached serious proportions, the 6,000 said to be in the city at present—this is being written a couple of weeks before Christmas—represents the total number registered at the Central Registration Bureau during 1932. Many were in the city for only a day or two at most, so that the figure has no definite relation to the number in the city at any one time. On the other hand, many boys doubtless spend several days in the city without registering at the central bureau or with any agency.

No boy in need of food and lodging is neglected if he can be located. The three principal avenues for registration open to him are the Municipal Lodging House, the Central Registration Bureau itself and the Children's Aid Society's Newsboys' House. The Municipal Lodging House does not take in boys under 21, but refers them to the Newsboys' House. Here the boy finds himself with others of his own age in a place where the entire equipment is designed with the boy's needs

and tastes in mind, and where he does not come in contact with contaminating influences which an older and more hardened group might offer.

The Municipal Lodging House reported that 1,120 boys without funds applied for lodging and were referred to the Newsboys' House during the first eleven months of 1932. The Central Registration Bureau acts merely as a clearing house. During the first eleven months of 1932 the Newsboys' House provided food, shelter and friendly encouragement to 2,500 boys. A few younger boys were also cared for by the Salvation Army along with thousands of men.

After a short stay at the Newsboys' House, many boys are sent home with the cooperation of the Travelers' Aid Society. Most of them are not homeless, but wanderers, and their chief fear is that they will be sent home. This explains why, when the Municipal Lodging House sends five or six boys to the Newsboys' Lodging House of the Children's Aid Society, only one shows up; the others simply "blow."

While it is important to learn, if possible, how many American boys are away from home, footloose, subjecting themselves to original and independent experience which will either add to their equipment for a life of self-reliance or else, as seems more probable, sap their vitality and initiate them into a life of dependence, shiftlessness and crime, the more serious problem facing society is how to deal with an age-old phenomenon which today threatens to assume such dimensions as to become a real menace to the established social order. Certain definite experiments are being made. The Wisconsin public school system is trying to meet the needs of boys just out of high school and without means to go to college by providing post-graduate courses with special occupational features, university extension work by correspondence and so on. In Wilmington, Del., the Provident Aid operates a detention home where boys are lodged and fed until arrangements can be made to return them home—if they will go.

The Salvation Army in Jacksonville, Fla., has established a farm about five miles outside the city to provide temporary employment for boys and a recreation club for entertainment during evenings. A recent statistical report from Jacksonville contains much interesting information about transients. In the year ending July, 1932, the Transient Service Bureau cared for a total of 7,470 men; of these 1,498 were under 20. Many of these transients were well educated; 2,604 had attended high schools or were graduates of high schools while 405 were college trained. Representing 103 different trades, they came from every State in the Union with the exception of Vermont and Nevada.

The Chicago Council of Social Agencies recently reported that it was "trying to approach the needs of these boys from both the housing angle and that of making more adequate provision for their leisure time." The Illinois Children's Home and Aid Society recently secured a fund from the Illinois Relief Committee to pay for care in foster homes for older boys who were above juvenile court age (17) but were still too young to be self-supporting.

In Atlanta attempts are being made in cooperation with four other cities of Georgia to take care of transient families and wandering boys. Instead of the usual "unclean jail cells and watery soup" these people are provided with "clean lodging quarters, substantial and well-prepared food, opportunity to bathe oneself and one's clothing * * * as an inducement to be respectable."

The service provided by the agencies in Los Angeles is of so high a character that it has recently been praised as the only city giving constructive attention to the needs of transient boys, a distinction, however, which many cities must share.

Perhaps the methods employed by

the New York Children's Aid Society as a result of its eighty years' experience with homeless boys will illustrate the type of work being carried on in a number of cities. New York for years has been the Mecca for young people. Tales of poor boys who have made their fortune there have been broadcast throughout the land. Youth is always optimistic and naturally boys who have come from great distances believe that in a city of 7,000,000 there is room and a job for one more. Arriving in the big city they find, like many a footsore traveler before them, that the gigantic buildings and gayly lighted streets lose their splendor when viewed on an empty stomach; they find also that the signs "No Boys Wanted" are as numerous there as elsewhere. A large percentage of these youthful travelers have little or no money and have no definite trade. Some lose their courage as chances for occupation dwindle; food becomes scarce and pride is humbled. They disappear, unwilling to admit their failure to their friends or families.

Many come directly to the New York Children's Aid Society on the advice of other boys whom they have met on the road. Others are found sleeping in the parks, on the piers or in the freight yards and are sent by the police to the society's Newsboys' House, and still others are referred to the society by social agencies and interested citizens.

The Children's Aid Society, through its Newsboys' House and its two farm training schools, gives these discouraged, wandering boys the first bit of comfort many of them have had for months. A bath, a physical examination, clean clothes, wholesome food, comfortable beds and a kind word after days of rebuffs are offered by trained workers who realize that kindness is the first ingredient of social service but who do not allow sentimentalism to blind them to the constructive policies required. During November, 1932, 328 wandering boys were guests at the Newsboys' House. Records show that 75 per cent were from outside New York State.

While the boy is receiving this temporary care his parents or relatives are notified of his whereabouts. They are assured that he is safe and that they need not worry, but are asked to give certain definite information—his age, his reasons for leaving home, and their advice. Often the parents are hurt by these letters and indicate a wounded pride that their boy will do for strangers what he has been unwilling to do for those who have loved and cared for him from babyhood. Sometimes they are frankly relieved and urge that he be not returned home but helped to a foster home and a job. These letters reveal all kinds of tragedies. They tell of the boy who, although his father had planned to send him to college, knew that business was bad and. fearing his father would become insolvent, decided he would at least relieve "the governor" of part of the load he was carrying. Some boys, aware that there was not food enough in the house for all the little mouths and with no work at home, felt that they could render a real service by hitting the trail and sending help back. And there is the boy from a broken home, his emotions so overwrought by the quarrelsome atmosphere that he would have no more of it. Finally, there are the lazy, disobedient, mentally subnormal or actively delinquent boys who have escaped from their communities to avoid detention.

After learning all that is possible by correspondence and by study of the boy, arrangements are made, if he will go, to send him home; if not, attempts are made to find him a job. If the boy shows any inclination for rural life or rural work he is sent to one of the farm training schools. Here he may receive expert instruction in agriculture, or, if a love of mechanics seems to dominate, he is given instruction in furniture repairing, building, automobile mechanics, plumbing,

painting and other trades. The two farms care for about fifty boys at a time and as soon as they are sufficiently trained to earn wages they are passed on to farms in the State.

Helpful as these philanthropic plans may be to aid individuals in distress, to provide food and lodging for the hungry and homeless and to rescue them from incipient vagabondage, they are inadequate to meet the need. Fundamental causes must be studied and society itself must develop the courage and mechanism to deal with them. One must know why boys leave home. Why are they weary of school? Why do they tire of their own farm, village or city environment? Why do they not settle down to a steady job on the farm or in the village store or factory or city office? What gangsters, racketeers or knights of the road are their idols as they hitch-hike from coast to coast, ride the rods, or, after a comfortable night of rest in some farmhouse for which they are to pay in labor on the morrow, sneak out at daybreak with the farmer's watch and money and lose themselves again in the army of vagabonds? Only to ask these questions is to visualize crowded tenements, domestic tyranny, whining infants and nagging mothers —the domestic background from which many have fled to find refuge anywhere, everywhere, except in the home.

Some credit must be given to youth with its overwhelming motive of inexperienced generosity which determines a boy to remove himself from the burden that breaks his parents as business fails, employment ends and the wreck of the meager family fortunes approaches with the certainty of doom. In part here is a challenge to a social system which in times of prosperity educates youth at an early age to make fewer mistakes and more money for some one else and then, in times like the present, tells the boy who has thus prepared himself, "we have no place for you." Finally one must recall that from platform, pulpit, newspaper and broadcasting station Americans have so dignified the racketeer and so pathetically confessed their inability to cope with him that he has become the model for boys who are lazy, shiftless, dishonest, cunning, or who have become convinced that society owes them a living and that without serious effort they can impose on public good-nature and private generosity while they live a life of independence, comparative ease and freedom from all responsibility.

The present depression aggravates every normal motive for wandering. Young people just out of school do not know which way to turn. Ordinarily they could find some kind of job or continue their education. Industrial stagnation has closed the first door, poverty the second.

American youth is on strike. Too inexperienced to draft a bill of grievances, they have walked out. If we expect them to return home, if we hope to end the recruiting of the vagrant horde, we must set our house in order. We must provide wholesome recreation, education and facilities for cultural development. Better housing and the abolition of slums, decent living conditions in agricultural communities, an enriched school curriculum, parks, playgrounds and social clubs can make the "home town" more attractive to a normal youth than any other place. Decent standards by "big brothers" of business and politics will prove an effective antidote to the glorification of bootleggers, second-story men and other racketeers. But not until America gets back to work will the youth, who comes with eager enthusiasm from high school or college, offering to society his keen, alert abilities, find a welcome for the utilization of the precious things he has to give. The problem is confessedly difficult, but it is not mysterious. Only by repairing those economic, political and social defects of which we are already aware may we hope to demobilize the army of youthful vagabonds.

The New Education in Italy

By HOWARD R. MARRARO

[Dr. Marraro, a member of the faculty of Columbia University, is the author of *Nationalism in Italian Education* and *American Opinion on the Unification of Italy*. During 1930-1931 he was in Italy collecting material for a series of volumes on Italo-American relations and observing the Fascist educational reforms described in the following article.]

ONE of the great achievements of the first decade of Fascist rule in Italy has been the overhauling of the nation's educational system by means of a series of reforms. How important these reforms are can be appreciated if it is recalled that until 1923 the schools of Italy were administered under the Casati law of 1859, which established a system of public instruction for Piedmont and Lombardy. As the rest of Italy became united with the kingdom of Piedmont and Sardinia, the Casati law was extended throughout the nation. Although the law was revised by succeeding Ministers of Education, no serious effort at improvement was made until May, 1915. Then the economic and social upheaval caused by Italy's entrance into the World War led to a sharp scrutiny of the traditional system of education and to proposals to remodel it for the purpose of making it serve more fully the actual needs of the nation. But again the results amounted to little.

Immediately after the war Italy experienced a wave of communism, which for a time threatened the safety of the State. The government under Prime Minister Giolitti, being powerless even to maintain order, committees of citizens sprang up in the name of Italian patriotism to combat the prevalent lawlessness and thus pave the way for fascism. The Fascists on assuming power initiated a series of far-reaching reforms, and of them none was more important than the creation of an educational system that would be formative rather than informative and that would develop not only intellect but also character and give Italy schools which would be imbued with the national spirit. Although to the careless or prejudiced observer this new school system may seem excessively nationalistic, the same thing may be said of education in most other countries, including the United States. All modern nations, in fact, use the school as an agency of patriotic propaganda.

The reform of the Italian schools began in October, 1922, when Prime Minister Mussolini appointed Professor Giovanni Gentile, the philosopher, to the position of Minister of Public Instruction. As the chief exponent of a philosophy based on a fusion of Neo-Hegelian idealism and ardent Fascist nationalism, Gentile believed that the school should be employed to strengthen the nation and make good Italians; that the true aim of the school must be the formation of a patriotic mind and heart and the preparation of the student for the manifold responsibilities of life. The importance of Gentile's educational reforms is, therefore, not to be found in the mere substitution of adequate for inadequate school ordinances, but in the expression of a new cultural and spiritual trend in Italy.

The system which Gentile was called upon to reform was defective from almost every point of view. The administrative organization was loose; discipline among teachers was unsatis-

factory; there was an insufficiency of schools everywhere; and attendance was only 65 per cent of the enrolment. The first task was to establish a strong and efficient system of administration. Since education is a State function and exists in the interest of the State, all educational activities are centralized in the Ministry of National Education, headed by a Minister who is appointed by the government. To the Minister is given more power and responsibility for educational progress than to any single school executive in the United States. In him is vested the responsibility for the organization of the entire school system. Under his direction suggestive courses of study for all schools are prepared, and through supervisors appointed by him, their use is enforced.

To support this administration the Fascist Government has gradually increased the appropriations for the Ministry of National Education. From a total of 975,095,000 lire in 1922-23 they rose to 1,434,501,000 for the fiscal year 1929-30, an increase of 47 per cent. This increase becomes all the more significant when it is remembered that the total Italian budget during this period was reduced 15 per cent.

A fundamental difficulty for Italian educators has been the widespread illiteracy among the people. While between 1871 and 1923 the kingdom of Italy reduced illiteracy from 69 per cent of the population to 27 per cent, 10,800,000 individuals over six years of age in 1923 were unable to read or write. The illiteracy statistics of the 1931 census have not yet been published, but careful estimates made in 1927 showed that the percentage had been reduced to about 21 per cent. This means that during the first four years of the Fascist régime a total of 2,400,000 Italians had been taught to read and write. These results have been achieved in spite of numerous difficulties, especially in Southern Italy, where geographical conditions and scarcity of large urban centres have added to the complexity of the problem. The question was mainly one of dealing adequately with the rural districts and with a population of peasants, shepherds, fishermen and the like, who considered reading and writing a luxury. In many instances parents employed every possible means to prevent attendance of their children at day or evening schools, even going so far as to destroy school books. More important, then, than the opening of schools in these districts was the need of stimulating a desire for education. The government has been most generous in increasing the number of day schools for children and in establishing evening schools for adults in the rural areas. The compulsory school attendance law for children from 6 to 14 years of age is now strictly enforced as may be seen from the fact that over 91 per cent of the children of school age were in attendance at school in 1929-30, as compared with 65 per cent in 1922-23.

But the essence of Fascist educational reform does not lie exclusively in the provision for schools; the complete change of spirit is perhaps more important. Before the Gentile reforms the elementary school curriculum was dominated by one aim only—the imparting of a minimum of information in the fundamentals of education. The elementary school, which provides the only training for the vast majority of the people, now aims at giving an education that, though simple and limited, is also complete and organic. It does not, therefore, confine itself to the teaching of the "three R's," or, to quote the words of Gentile, "to any other material that is a mere ornament or adornment of the intellect." Since the intellect, according to Gentile, can be developed only by developing personality, the school aspires to raise immature and untrained minds to the realization of the all-important problems of the moral world. The hope is to make children, within the limitation of their years,

feel and enjoy the values of reality, and widen their spiritual horizon so that they may with greater awareness and confidence adjust themselves to the world in which they live.

In order to achieve this end religious instruction has been introduced and artistic training has been greatly emphasized. Religion and art are, indeed, the fundamentals of the new elementary school. Even a rapid examination of the new school programs will show that the entire curriculum has a decided artistic tendency. Conceiving art as the immediate expression of individuality, Gentile insisted that the child, by nature an artist and a creator of his own phantom world, be encouraged to satisfy to the utmost the need of translating his growing personality into imaged reality. As a result of this policy the Italian school child is no longer confronted with methods which he is required to follow mechanically and monotonously; he learns penmanship without the use of those models which formerly compelled all pupils to write alike and without any individuality; he no longer has set themes to work out, nor is he obliged to write about something of which he knows nothing and which has no interest for him. Now he writes when he wants to, and when he feels that he has something to say, and these spontaneous compositions may take the form of diaries or of reports of his everyday life in and out of school. In his drawing class he no longer reproduces lines and shadows from a design; he is told to draw from life, to put down what he actually sees or what he imagines, and if he wishes to do so he may draw pictures to illustrate his own diary. In short, the aim of teaching is to encourage the child to do things by himself, to work out his own thoughts and thereby gradually mold a personality distinct from that of his fellows. This means that he will be prepared to go out into the world with well-formed habits of initiative and independence, equipped not merely with the tools of reading and writing but endowed with a keen awareness of his attainments and with the confidence of one who knows his powers and limitations, and consequently his own place in the world.

Another important feature of Italian education is the emphasis upon physical training. Breaking with Italian tradition, Professor Gentile has stated that a complete and perfect system of education should aim not only at the development of the spirit but of the body as well. But the teacher of physical education "must always bear in mind that he is not dealing with *bodies*—bodies to be moved around, to be lined up, or rushed around a track. He, too, is training souls, and cooperates with all the teachers in the moral preparation and advancement of mankind." In the old days physical education in the schools lacked purpose and adequate teachers; in many communities it was entirely neglected. To remedy these defects the government in December, 1923, established the Ente Nazionale per l'Educazione Fisica, an organization which had full charge of the physical training in the schools. But because of insufficient resources the results were not satisfactory, and in October, 1927, the Ente was merged with the Opera Nazionale Balilla for Physical Education, which the government had established in April, 1926. The Balilla organization was placed under the direct supervision of the head of the government and under the control of the Ministry of National Education. The organization, with headquarters in Rome, carries out its functions through the medium of the Balilla for boys from 8 to 14 years of age, the Avanguardisti for boys from 14 to 18 years of age and the Piccole Italiane and Giovani Italiane for little and young Italian girls. The organization is maintained by members' subscriptions, by bequests and donations and by appropriations from the budg-

ets of the Ministries of the Interior, Education and Corporations.

Besides controlling physical education in the schools, the Balilla is responsible for many of the activities which in America and in other countries are conducted by the Boy Scouts, the Girl Scouts, the Camp Fire Girls and similar organizations whose purpose is general character training and civic education. Furthermore, the Balilla provides continuation schools, vocational education and adult education; it has opened reading rooms and circulating libraries. Visits to the great museums and monuments of the country are fostered by the Balilla and competitions for prizes and scholarships are organized. It conducts cruises in the Mediterranean to the colonies and other places. It promotes physical and athletic activities and it maintains Summer camps and athletic fields. The Balilla also provides its members with medical and preventive treatment and accident insurance. At the present time there is a movement afoot for the construction of Balilla clubhouses to be used as educational and recreational centres. It is not surprising then that the Balilla movement, which provides outlets for the youthful love of activity, ceremonies and parades, has spread throughout Italy and now has a membership of about 3,000,000.

Practically the only objection to the Fascist system of education has come from the Vatican. The use of the schools to enlist all children into the Balilla organizations led to a disagreement between Premier Mussolini and the Pope, which came to a head on Dec. 31, 1929, when Pius XI issued an encyclical against secular education and the State monopoly of education. The system of Catholic education which the Church has been developing for centuries has now been replaced in Italy by a Fascist education which, though Catholic, is independent of Church control. The Church schools and youth organizations have been absorbed into the government's own system despite the Church's protest. Mussolini and his educational authorities have stuck to their purpose of nationalizing the schools.

Students who do not propose to go to a public or private high school must remain in the elementary school until after their fourteenth year. The regular elementary school course is for five years, but on its completion students must continue in the special three-year vocational schools, which were established in November, 1930. The cultural course of study in these includes Italian, history, geography, a modern language, mathematics, the different physical sciences, hygiene, drawing, penmanship, physical education, religion and singing. The vocational schools provide courses in agriculture, applied sciences, technology, construction, weaving, mining, domestic economy, bookkeeping, stenography, typewriting, business correspondence in a foreign language and commercial practice.

The Italian secondary schools required more radical reform because, more than any other part of the educational system, their organization was defective and their studies sterile. Reform of secondary education had to consider the relationship of those schools to the elementary schools and to the universities as well as the whole question of internal structure and educational methods.

The secondary schools are now classified as follows: the technical institute, the classical gymnasium-lyceum, the normal institute and the scientific lyceum. The entire course in each branch covers eight years, except in the normal institute, where it is seven years. While the scientific lyceum course is for four years, students must have completed the first four years in a gymnasium, technical institute or normal institute before they can be admitted. The technical institute prepares students for surveying, accountancy and administrative and

business positions; the normal institute trains elementary school teachers; the classical gymnasium-lyceum educates students for the four university faculties and for the higher institutes, while the scientific lyceum prepares students for the faculties of science, medicine and surgery and for the schools of engineering, architecture and pharmacy. Admission to all public secondary schools is based on an entrance examination which is the same for all children, whether or not they have attended a public or private elementary school. The only requirement is that a student must be at least ten years of age before he is allowed to take the examination.

An important result of this system of entrance examinations is the limitation of the number of students in government schools. In fact, since the law fixes every year the maximum number of students in each public institution of secondary grade, the private institutions have become important. The government instructs only the best among the secondary students and turns over to the private schools the large number of those who are considered unfit to be educated by the State. The educational authorities explain that the State is obliged to provide elementary instruction for all children, but that the State should provide secondary and higher education only for those who deserve it. Students from private high schools are examined by the State school authorities in order to receive credit for their work. The examination for private and public school children is the same, but at these examinations students from private schools do not make as good a showing as do those from government schools.

The total number of students in public secondary schools has increased from 115,658 in 1922-23 to 143,643 in 1929-30—an increase of 24.1 per cent. In the private high schools the enrolment has increased from 20,712 in 1922-23 to over 53,000 in 1929-30—155.8 per cent. Of the total 1929-30 registration in public institutions 101,261 were boys and 42,382 girls; the enrolment in the classical gymnasium-lyceums was 75,443, in the technical institutes 37,726, in the normal institutes 24,372 and in the scientific lyceums 6,102.

The chief value of the secondary school reform is, however, not to be found in statistics; it is to be sought rather in the complete and profound change in the spirit of the teaching. Formerly the school imparted textbook information and crammed the student's mind with the greatest possible number of simplified and catalogued notions; the new programs aim to educate by direct acquaintance with the masters of thought and of art, thus doing away entirely with the old manual that provided the student with ready-made knowledge to be passively accepted. While giving greater impulse to professional training, the secondary schools emphasize the humanities and the liberal studies. Hence the stress laid on the more specifically formative subjects. Latin and the classics are studied in all types of secondary schools. Philosophy is given more importance, while new subjects, such as religion, political economy and the history of art, have been added to the curriculum. There has also been more diversification in the study of modern languages, and English and German have grown at the expense of French.

The changes introduced in the universities by Gentile constitute a milestone in the history of Italian higher education. Before the reform all the universities were alike in form and content, having the same faculties, the same subjects, the same requirements for degrees and the same administrative system. Today each university possesses a distinctive and independent personality. Each is now empowered to determine the number and the nature of the schools, institutes, libraries and so on that it needs; each

is authorized to decide upon its own program of studies; each is empowered to administer its income in the manner best suited to its particular purpose.

The chief effect of the Gentile reform is that the State undertakes to support only such faculties, schools, libraries and clinics as it deems necessary. The others are not suppressed, but must shift for themselves. The universities are classified as follows: (1) Ten universities wholly supported by the Italian Government; (2) eleven universities supported in part by the national government and in part by either provincial or municipal contributions; (3) five so-called "free" universities or institutes, entirely supported from provincial, municipal or private sources. The total number of students in all universities and institutions of higher learning was 44,640 in 1929-30, as compared with 41,892 in 1922-23.

Each faculty or school determines the number of subjects for which students must register each year, the yearly examinations and the form of the examination for degree or diploma. Students enjoy considerable freedom in their studies. They are no longer compelled to pass examinations in prescribed subjects, but are expected to fall back upon their own initiative, choose the courses they want, make up their schedules in accordance with their intellectual aptitudes and in view of the scholarly and scientific ends they wish to attain. Each faculty or school usually recommends a program of study for each year, but students are permitted to make any changes in the program, provided, however, that they pursue a certain minimum of subjects which constitute a properly organized program. The degrees and diplomas conferred by universities and institutes do not qualify, as formerly, for the practice of any profession, but must be supplemented by licenses granted after passing State examinations.

There is one important difference in purpose between the American and the Italian systems of higher education. The American university gives a more completely rounded and balanced individual to society, whereas in Italy, as in other European countries, the institutions of higher learning, concerned more with intellectual development, pay little or no attention to the students' social and physical needs. The average Italian university graduate is thus a better scholar than the American college graduate, but is often in poorer physical condition and less at ease in different kinds of society.

The educational reforms introduced by the Fascist Government during the ten years of its existence are far-reaching. It is enough to read the history of Italy since 1815 to regard with intense sympathy her struggle for nationhood. After fighting for the right to become a united nation for more than fifty years she began her effort to build a nation from a heterogeneous population that was more than 75 per cent illiterate, with no money, no industry, no railroads and very limited natural resources. In spite of the shock of the World War and the series of economic and social disturbances which followed, the Italians have reduced illiteracy to 21 per cent, and they have created a school system which endows the new generation with energy of thought and will, and seeks to develop a culture that truly represents the manifold powers of the Italian race. Because Fascism exalts and ennobles those qualities which assure the greatness of Italy, and since the problem of its greatness is above all a problem of education and culture, Mussolini has rightly defined Gentile's educational reforms as "the most Fascist of all the Fascist reforms."

The Passing of Calvin Coolidge

By E. FRANCIS BROWN

CALVIN COOLIDGE, thirtieth President of the United States, died suddenly on Jan. 5, 1933, at the New England home where he had lived in quiet retirement since he had left the White House, nearly four years before. Despite his sixty years he had seemed so young and vigorous that the nation was little prepared for the news that he had gone. Immediately it awoke memories of an era that is past; and those memories stirred reflection upon the man whose name was most closely associated with the happy days before the depression.

By birth and heritage Calvin Coolidge belonged to the traditional America of equal opportunity for all. During his threescore years he spanned the gulf that separates a log cabin from the White House, except that in his case he had been born in a simple Vermont farmhouse. He was the son of parents whose circumstances were modest, but not too slight to send their boy to the academies that were typical of Vermont in the late 1870s and early 1880s. Amherst College followed in due course. Unknown when he entered that institution's classic halls, at the end of his course in 1895 he was still a stranger to most of the students contemporary with him.

An eventful life lay ahead for Calvin Coolidge; yet it would be long before men realized that the red-headed, awkward, taciturn Amherst graduate possessed abilities which raised him above his fellows. After Amherst, he read law in Northampton, Mass., the little city which was to be the scene of his early success, to which he was to return at the end of his career and where he was to die. But when he began the practice of law there in 1897 it must have seemed to most of the other citizens and perhaps to himself that he was destined for the life of a country lawyer whose honorable but not very lucrative practice would be concerned chiefly with drawing wills, proving titles and appearing in unimportant cases before the county court. Like many another young lawyer, however, Coolidge began to dabble in politics and politics became his life. For ten years he played a minor rôle in his adopted city, and then, in 1907, he was elected to the Massachusetts General Court, where he arrived bearing the recommendation that like a singed cat he was better than he looked. Two terms as Mayor of Northampton followed and thereafter he devoted himself to the service of his State. He played the game according to the rules, courageous in standing for what he believed to be right, yet never attempting to swerve far from the paths established by tradition. Endowed with a goodly amount of horse sense, he appealed to politicians as the sort of man whom they could trust and as the type who was almost certain to bring in the votes they wanted.

Several years in the Massachusetts Senate were rewarded with the post of Lieutenant Governor of the State, and in Massachusetts the Lieutenant Governor almost inevitably is promoted to the Governorship. Coolidge was not to be the exception that proves the rule; in 1918 the people of the Old Bay State made him their Chief Executive, and the following year reelected him by a tremendous majority. The small-town lawyer had done well. Still under 50, he had many years of work ahead, presumably in politics.

What would the next step be? Perhaps a Senatorship in Washington would not be unattainable, or at least a seat in the lower house. But it was to be far otherwise.

There may be people who know what was in Coolidge's mind during the years he was Governor of Massachusetts, but they have maintained silence. That his ambitions had not been satisfied by his success in Massachusetts can be assumed, and men there were in Northampton who in those years declared that Coolidge had his eye on high places. Possibly; in any case, a lucky accident which he and his advisers knew how to capitalize determined the future.

In the late Summer of 1919 the police of Boston went on strike, and for a few hours the Massachusetts capital was the scene of rioting and looting. The strike had long been pending, but Governor Coolidge had done nothing to prevent it, although once violence appeared in the city he quickly supplied the troops asked for by the Mayor of Boston. Whether the credit for putting an end to the disorders belonged to Coolidge or not—and there are many who deny him that distinction—his action in that crisis made his reputation, and his statement that "there is no right to strike against the public safety by anybody, anywhere, any time," was repeated up and down the land.

For a long while Coolidge had been guided and advised by W. Murray Crane, Massachusetts political boss and United States Senator. Crane in 1920 was close to death's door, but he attended the Republican National Convention, and as almost the last act of his life threw the nomination for Vice President into the lap of Calvin Coolidge. Or so it seemed, because Crane, without openly supporting Coolidge, expressed no surprise when his protégé received the nomination. The country knew almost nothing about Coolidge—it never does about its Vice Presidents—but it mattered little, and if in retrospect the Harding-Coolidge ticket seems incredibly weak, it must be recalled that one had only to be a Republican to win in 1920. So Calvin Coolidge went to Washington, took a suite at the New Willard, and accepted the prospect of four uneventful years, to be spent presiding over the dreary, interminable sessions of the Senate.

But his experience as the presiding officer of the Senate was brief. On Aug. 3, 1923, Warren Harding was dead and Calvin Coolidge by the light of a kerosene lamp in his father's farmhouse at Plymouth, Vt., had taken the oath as President of the United States.

After the elections of 1924, Coolidge was President in his own right and the United States settled down to an interlude of unprecedented prosperity that eventually ended in an orgy of extravagance and speculation. For most of this the President had little responsibility, but his public statements on business conditions and the commercial outlook of his whole administration did nothing to restrain the madness which seized the American people. Simple, frugal, honest, Coolidge appealed to his fellow-citizens as the embodiment of the virtues to which they gave their respect but not their service. A man of dry wit, the source from which sprang endless anecdotes, reserved and reticent, he soon became, with the aid of astute publicity, the most popular President since Theodore Roosevelt.

His stalwart honesty ever stood him in good stead and never less than when the corruption of the Harding administration came to light. Whether or not he had been aware of what was going on under his very nose probably will never be known; certainly both as Vice President and President he kept his own counsel and the public assumed that he had seen and heard no evil. In Coolidge the people of the United States saw a man on whom they could rely and that certainty gave him added strength at a time when the country's confidence in its

leadership had been rudely shaken.

The Coolidge administration covered six fat years, years of ease and pleasure for many Americans. As men, flushed with a new affluence, discovered the possibilities of foreign travel and sought to make golf the national sport they were delighted to see that the Chief Magistrate of the nation was likewise able to enjoy himself. They followed him in all his vacations and were pleased when, even as one of them might, he donned the bonnet of an Indian chieftain and posed for the rotogravure pages of the nation's press. Thanks to his charming wife, the White House under President Coolidge became a gayer place socially than it had been for many years and this fact also redounded to his personal popularity.

Yet the Coolidge years from the vantage point of 1933 seem indeed barren. Political and economic forces were at work in the world which were to bring éventual ruin; some men foresaw the catastrophe, but not Mr. Coolidge. In American life there were evils far more obvious than in the world as a whole, but Mr. Coolidge did nothing. If he understood modern economics it was not apparent. Economy in governmental operation, reduction of the national debt and a lowering of taxes, expansion of foreign markets and loans abroad—these were the sum of his economic policies. As far as possible, also, he kept the Federal Government from meddling with social questions, while in foreign affairs he followed a policy of drift and mastery.

His long apprenticeship in politics had made him one of the most clever political leaders who ever held the Presidency. He knew how to win and keep the support of important men in his party, and if he was not always happy in his relations with Congress it was in part because the Republican ranks were somewhat open and disaffection had crept in. But greatest of all was Calvin Coolidge's shrewdness in judging the sentiment of the country. Disillusioned by the events which followed upon the triumph of progressivism, the people had turned to reaction and conservatism. No longer did the words of the social gospel fall upon open ears. Men wanted to make money, to enjoy life, to forget that behind the façade of rich cities were poverty and misery. Economists said that the nation had become industrialized; as a result, industrialists and bankers made themselves believe that the woes of the great farming areas could be ignored because they were unrelated to the nation's economic well-being. Perhaps it required no gift of second sight to realize that what most Americans wanted was to be left alone; Calvin Coolidge comprehended that popular will and bowed to it. It was fortunate, because a vigorous administration of achievement, of directing the forces in American life would have been impossible for Coolidge.

In his death, as in his life, Calvin Coolidge was strangely apart from the life of America. When he died, despite the fact that his Presidency was but four years behind, he seemed to belong to an era that was already far, far away. The years of his administration resembled 1933 hardly more than those in which Chester A. Arthur occupied the White House. The America of Calvin Coolidge died before him, and that he had survived into a time that was not his was never more apparent than in the words that were spoken and written when he passed away.

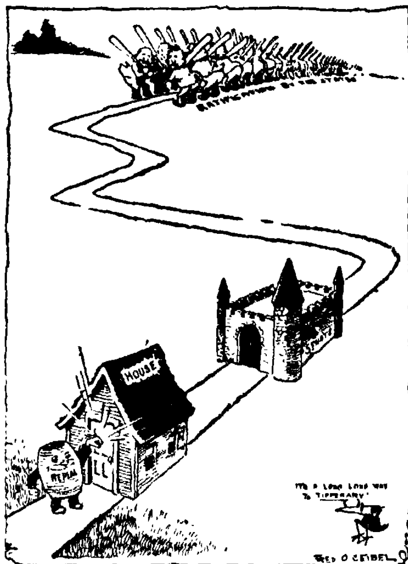
Yet in another sense the America of Calvin Coolidge disappeared long before he became a national figure. A Yankee by birth and training, a man without wide experience, he typified the New England in which he had grown up and won his reputation. But that very New England, in many respects, was outside American life. Ever a distinctive section, it retained much of its provincialism while the rest of the nation sank local differences in the flood of twentieth cen-

tury civilization. Many of the industrial and agricultural problems of New England were peculiar to that region alone. Social traditions in that rocky, rugged region were more fixed than elsewhere in the United States and many of the virtues of the Puritan were still accepted and practiced. By necessity the New Englander has been thrifty and has led a simple life; he has possessed a moral courage that enabled him to adhere to his ideals, however worthy or unworthy they may have been; about the Yankee has been woven a traditional cloak of sour taciturnity which seemed to typify the bitterness of the life his section forced upon him.

Such was the background of Calvin Coolidge, and from it he brought thrift, simplicity, courage, taciturnity and honesty, but also a certain narrowness of purpose. To an America that had turned its back upon the principles of Calvinism, Calvin Coolidge and his ideals were an anachronism. Yet he was loved because of that, perhaps because in him men and women saw their fathers and mothers who had likewise held to these Coolidge virtues which seemed so out of place in the 1920s. Deep in the heart of America there abided the precepts of *McGuffey's Readers,* and when Calvin Coolidge uttered a platitude upon the way of life it awoke pleasant memories of old teachings—of course, they were not to be taken seriously. Meanwhile, the government kept its hands off business and the privileged classes enjoyed the prosperity that would never end.

Fate was kind to Calvin Coolidge; his admirers can only hope that history will be likewise. By steady work in the right circles he gained political preferment in his own State, and then the Vice Presidency of the nation. Fate brought him to the White House and permitted him to occupy it during the only period in recent American history when his qualities answered the need of the American people. Perhaps it was fate that kept him from being besmirched by the Harding scandals; perhaps, again, it was fate that held off the economic débâcle until he had left the White House and then prevented public resentment being visited upon his head. Possibly, also, fate was kind in bringing the life of Calvin Coolidge to a close before history pronounced its verdict.

Current History in Cartoons



The path to repeal
—Richmond Times-Dispatch



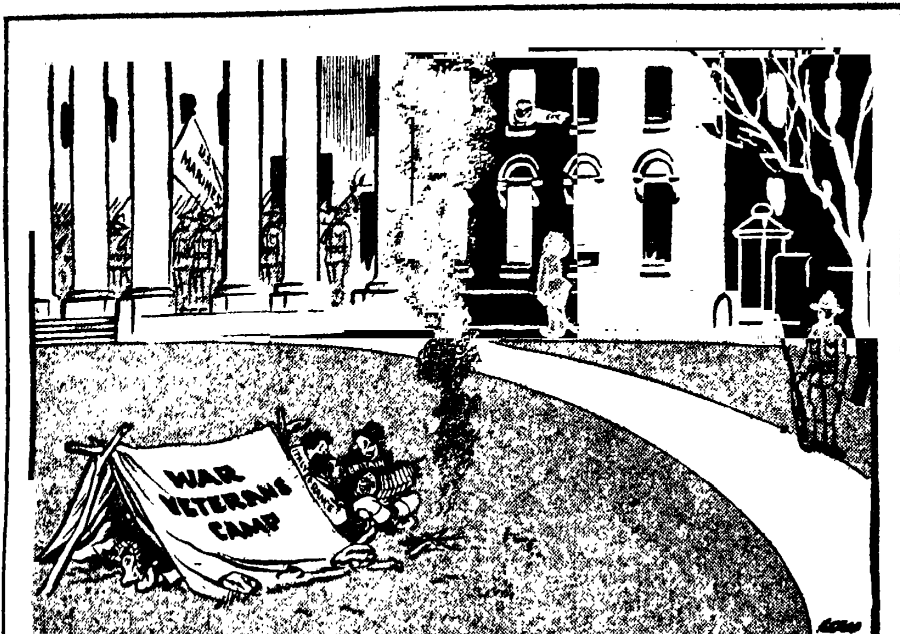
The return of Enoch Arden
—New York Herald Tribune



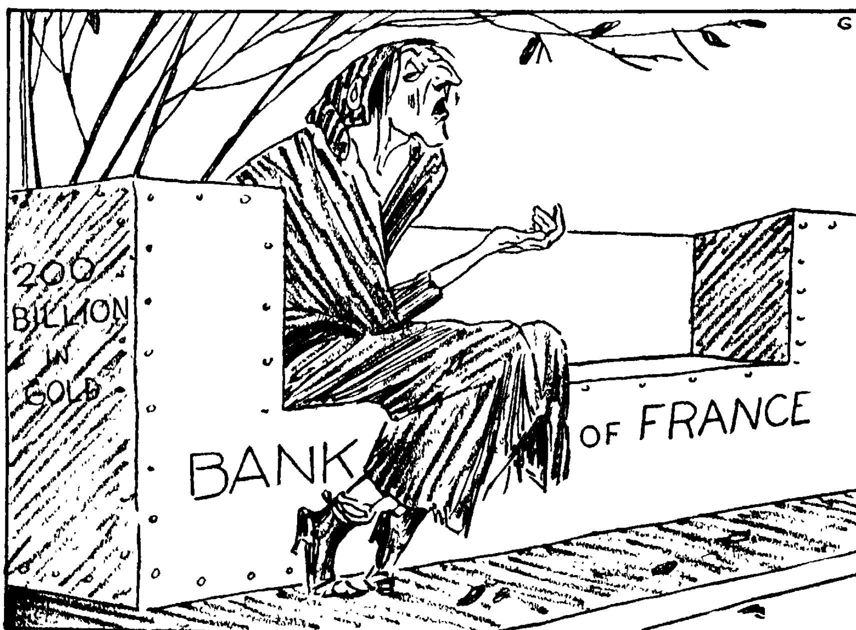
His swan song
—Birmingham Age-Herald



Another "little group of willful men"
—New York World-Telegram



More trouble outside the White House
—*Glasgow Evening Times*



France—"I have paid out my last penny. I am as poor as a church mouse."
—*Kladderadatsch,* Berlin



Japan—"I want to register my child, Manchukuo. I am the father. It has no mother"
—*Kladderadatsch,* Berlin



It smells like oil down there
—*Notenkraker,* Amsterdam



"Ssh! What do you think he's thinking?"
—*Glasgow Evening Times*



Scene at a Persian fountain
—*Pravda*, Moscow



Steadfast, steadfast!
—*New York Evening Post*

A Month's World History

The War-Debt Controversy

By JAMES THAYER GEROULD
Princeton University; Current History Associate.

THE controversy over war debts, as described in the January number of CURRENT HISTORY (pages 413-419 and 453-456), was carried a stage further by the reply to the British note of Dec. 1 sent by Secretary of State Stimson on Dec. 7. It opened with an admission that "it is clear that, in the present conditions of world-wide depression, accompanied by a sweeping fall of prices, their weight has been greatly increased, and that they have a very definite relation to the problem of recovery, in which both the British and the American people have so vital an interest." The President was prepared therefore, "in co-operation with the British Government, to survey the entire situation and to consider what means may be taken to bring about the restoration of stable currencies and exchange, the revival of trade and the recovery of prices. * * * Such an examination does not imply cancellation," but compensation through "expansion of markets for products of American agriculture and labor," and a relief from the burden of competitive armament.

The American reply further rejected the British contention that the goods purchased with the loans were destroyed by the war, and were consequently unproductive, and that the debt payments had upset international exchange and the proper distribution of gold, and it was denied that the United States was committed to revision in consequence of the Lausanne settlements. The principle of "capacity to pay" which guided the negotiations of the War Debt Funding Commission in 1923 was maintained. "No settlement which is oppressive, and retards the recovery and development of the foreign debtor, is to the best interests of the United States or of Europe." Since this was so, Mr. Stimson was "confident that the Congress will be willing to consider any reasonable suggestion by your government which will facilitate payment of the sum due on Dec. 15."

Secretary Stimson's answer to the French note of Dec. 2, forwarded on Dec. 9, was shorter and less argumentative. "I trust," he said, "that the French Government will see the importance of making the Dec. 15 payment in accordance with its terms; and thereby, in my judgment, bringing about a more favorable situation for any subsequent examination of the problem between our two governments." As in the British note, he committed the government to a survey of the entire problem in which it was agreed to take "into account not only debts but currencies, exchange, revival of trade and recovery of prices, expansion of markets for American products, and progress that might be made toward world recovery through disarmament." Cancellation could not be considered.

Both in London and in Paris, these

replies created what might be called, in diplomatic phrase, a disagreeable impression. Prime Minister MacDonald and Neville Chamberlain, his Chancellor of the Exchequer, crossed the Channel to discuss them with M. Herriot. The French press resented particularly the attempt to link the debts with disarmament, calling attention to the perfectly obvious fact, generally lost sight of in this country, that complete disarmament would not of itself create a single dollar's worth of exchange by which the debts could be paid. In both countries, a strong minority opinion favored a flat default; but, in both, the governments were unwilling to go to this extreme. On Dec. 11, the British Ambassador delivered to the State Department a communication expressing the determination of his Majesty's government to make the payment on the date due, with the understanding that it should be treated, not as one of the annuities under the agreement of June 18, 1923, but as a "capital payment, of which account should be taken in any final settlement." To this Mr. Stimson replied immediately that he could not accept payment on these terms, and that he must assume that the British statement was expressive of a desire rather than a determination. This position was, in effect, accepted in the brief answer dated Dec. 13; and on Dec. 15 gold, to the amount of $95,500,000, in the vaults of the Bank of England, was earmarked as belonging to the United States.

In the meantime, Prime Minister Herriot, with great tact and skill, was endeavoring to convince a reluctant and rebellious French Chamber of Deputies that, however unjust they might feel the exaction of the payments to be, the honor of France, and the integrity of their own loans, required that they should be made. His speech on Dec. 12 was a masterly one, directed obviously quite as much to ward the public opinion of England and America as toward the Deputies before him. He asked them to authorize him to pay the amount due ($19,261,432.50), with the understanding that the sum would be carried to the account of a new agreement. The debate continued throughout the night of Dec. 13 and at 5 o'clock the following morning, a strange combination of the extreme right and left, of the Communists and Socialists with the followers of Louis Marin and André Tardieu, voted, by a majority of 402 over 187, to accept, in place of Herriot's proposal, a resolution in which it was asserted that, because of the Hoover moratorium and the Lausanne agreement, the debt settlements previously made had lost their force. For this reason, the Chamber urged the government to call a conference, in connection with the World Economic Conference, for the purpose of adjusting all international obligations and of putting an end to all international transfers for which there was no compensating transaction. Pending the agreement of the United States to enter such a conference, the payment of Dec. 15 should be "deferred." Within an hour of the adverse vote M. Herriot and his Cabinet had placed their resignations in the hands of President Lebrun.

On the day when the international payments were due, the United States Treasury announced that they had been made as follows:

Czechoslovakia	$1,500,000.00
Great Britain	95,550,000.00
Finland	186,235.00
Italy	1,245,437.50
Lithuania	92,386.01
Latvia	111,852.12
	$98,685,910.63

and that the following nations were technically in default:

Belgium	$2,125,000.00
France	19,261,432.50
Hungary	40,729.35
Poland	3,302,980.00
Estonia	266,370.00
	$24,996,511.85

Of the sums paid $31,567,000 was credited by the Treasury as on ac-

count of principal and $67,118,710.63 as interest.

President Hoover recognized the seriousness of the situation in the special message which he laid before Congress on Dec. 19. After reviewing the causes and character of the present economic depression, the roots of which he considered to be international, he expressed the opinion that the importance of the war debts, "relative to the other world economic forces in action, is exaggerated." The postponement of payments requested by the debtors had been declined, since such a postponement would amount to the "breakdown of the integrity of these agreements," the abandonment of the policy of dealing with the debtors separately, and the recognition that reparations and war debts are related. Postponement would bring no relief, and the American people should not be expected to make further sacrifices without definite compensations. "I will not," the President said, "entertain the thought of cancellation." In order that the situation might be studied, he recommended the establishment of a commission, a part of the membership of which he would select from Congress, to consider the debt settlements and assist in the preparations for the economic conference and in the negotiations for disarmament.

In a long telegram to Mr. Roosevelt, Mr. Hoover on Dec. 17 asked the President-elect to join with him in the selection of such a commission. Since this procedure was directly contrary to his announced policy in dealing, in regard to the debts, through the ordinary diplomatic channels, Mr. Roosevelt felt compelled to decline. As he doubted the expediency of relating so closely the work of the economic and the disarmament conferences, he suggested that the appointment of the delegates should be deferred until after March 4. In a second telegram, sent on Dec. 20, Mr. Hoover suggested that Mr. Roosevelt should designate two or three prominent Democrats, such as Owen D. Young and Colonel E. M. House, to advise with the present administration "in an endeavor to see what steps can be taken to avoid delays of precious time and inevitable losses that will arise from these delays." Mr. Roosevelt persisted in his opinion that any direct cooperation such as this would be interpreted abroad as committing his administration, and that he could not accept responsibility in advance of the time when he must assume power. He would welcome any exploratory investigations, undertaken in the interim, which might be undertaken by Mr. Hoover. Since the divergence of opinion between the President and his successor was so wide, it seemed unlikely that any positive decisions could be reached earlier than March.

GERMANY AND DISARMAMENT

It was, in no small degree, due to the tactfulness and persistence of Norman H. Davis that the exceedingly delicate negotiations which have resulted in the return of Germany to the Disarmament Conference have been brought to fruition. Very quietly, in conference rooms, on golf links and over dinner tables, he urged the representatives of Great Britain, France and Italy to agree upon a formula which would admit the principle of arms equality demanded by Germany and, at the same time, guard against her rearmament. There was no difference of opinion as to the necessity for such action, but politically it was exceedingly difficult for Prime Minister Herriot to make the necessary concessions. On Dec. 5 the preliminary conversations had advanced to a point where it was possible to discuss details with the Germans, and at dinner that evening two representatives of each of the five major powers, Great Britain, France, Germany, Italy and the United States, reached a broad agreement. The conversations were continued during the following days, and on Dec. 11 a statement was drawn up and signed.

Three points in the declaration are of the highest importance and significance. Part V of the Treaty of Versailles, which provides for the disarmament of Germany, is to be superseded by a new convention. The United Kingdom, France, Italy and Germany stand ready to agree "that they will not in any circumstances attempt to resolve any present or future differences between the signatories by resort to force." There is a marked distinction between the use of the word "force" and the word "war," which was renounced in the Pact of Paris. Even the phrase "except by pacific means," in the second article of the treaty, may be interpreted, as it obviously is in Japan, as the antithesis of "war" in its technical meaning. Neither China nor Japan has declared war, but "force" is being used without stint. It is not altogether clear exactly why the United States did not join in this declaration, but it can hardly be believed that we would reserve the point in action on a general treaty. The third point is the pledge of all of the five powers to seek, without delay, to work out a convention "which shall effect a *substantial reduction* and a limitation of armaments, with provision for future revision with a view to further reduction."

The Japanese plan for the reduction of armaments, made public on Dec. 10, was obviously a document of diplomatic strategy rather than a serious contribution to the arms discussion. It would, to a certain extent, decrease the tonnage and cost of naval vessels, and the size of the fleets, but it proposes a substantial increase in the ratio allowed to Japan in the Washington and London treaties. It provides for the total abolition of aircraft carriers and the prohibition of landing stages on all warships. The size of the auxiliary fleet it would determine by a series of four regional pacts, Atlantic, Pacific, European and South American, in which the special interests of the nations concerned would be determinative.

The international copper conference, in session in New York from Nov. 30 to Dec. 11, adjourned without renewing the agreement regarding production which expired at the end of 1932. The Roan Antelope Company, operating in South Africa, which is alleged to have violated the agreement made a year before, demanded a large increase in its quota, and this the other companies would not concede. The result will probably be a price war which will eliminate those companies which have a relatively high cost of production. American producers are at present protected by a tariff of 4 cents a pound.

The International Radio and Telegraph Conference, which had been in session in Madrid since September, adjourned on Dec. 10. Small progress was made beyond that reached in the Washington convention of 1927. The length of code words was reduced from a maximum of ten to five letters. Governments may hold up messages which they consider dangerous to the State, but in each case they are required to notify the sender. Certain changes were made in radio wave allotments.

Representatives of the major oil producing companies, except those of Russia, meeting in Paris during the first two weeks of December, reached a substantial agreement as to production. Rumania was given a somewhat larger allotment. The fact that the Soviet authorities refused to cooperate reduces the value of the agreement and makes necessary further negotiations.

The Lame-Duck Congress at Work

By E. FRANCIS BROWN

THE desirability of doing away with the lame-duck Congress and inaugurating a new President soon after his election has never been more apparent than in the present hiatus between the Hoover and Roosevelt administrations. The President, with his leadership repudiated by the electorate and Congress beyond his control, has since the November elections been in the intolerable position of reigning but not ruling; the President-elect, on the other hand, has been forced to take some hand in directing the government while still without a formal grant of power. And Congress, controlled absolutely by neither party, contains many members who have a privileged irresponsibility—those who were defeated for office last November but whom the Constitution permits to act as legislators till March 4. Fortunately the probable ratification of the constitutional amendment now before the States will help to prevent a repetition of this sort of impasse in government.

Three problems stand out in the present Congressional session: the need of balancing the budget, the legalizing of beer and farm relief. On Dec. 7 President Hoover sent to Congress a budget of $4,218,808,344 for the fiscal year 1934 and in the accompanying message urged the curtailment of Federal expenditures and the enactment of a general manufacturers' sales tax of 2¼ per cent. His message failed to mention the proposed tax on legalized beer. Two days later the President in another message outlined the reorganization and consolidation of governmental agencies and bureaus in the interest of economy. At the same time he issued a series of executive orders effecting much of the proposed consolidation, an act which becomes final within sixty days unless Congress disapproves.

During the remainder of the year the budget was before Congress, though little was done about it. With a prospective Treasury deficit at the end of the present fiscal year of more than $2,000,000,000, the difficulty of balancing the budget was obvious. Sentiment in Congress for a manufacturers' sales tax was lukewarm at best and all but disappeared when Mr. Roosevelt on Dec. 27 made public his opposition to such a tax. In many minds this stand made impossible any balancing of the budget at the short session of Congress, as no other tax seemed likely to bring in sufficient revenue. The Democrats, however, have placed great store in a tax on legalized beer and, after a conference with the President-elect on Jan. 5 suggested that the income tax rates might be raised in order to obtain funds to meet Federal expenses. But this proposal was quickly killed.

One step toward a balanced budget can be taken by reducing governmental expenditures. As was to be expected, the President's proposals for reorganizing various bureaus and agencies met with Congressional disapproval—in part because they came from Mr. Hoover. Meanwhile Mr. Roosevelt, after careful study of the Federal budget, had informed Congressional leaders that he was ready to assume the responsibility of consolidating and eliminating many Federal bureaus if Congress would grant him the power. Whether a bill granting a President such widespread pow-

ers could be passed was still unknown.

Other measures of government economy necessarily involved a reduction of appropriations. The most obvious opportunity for slashing is presented by the huge sums expended for veterans' relief. Both in his annual and budget messages President Hoover urged reduction in the expenditures of the Veterans' Administration and concluded that savings of about $127,000,000 could be made. Most of the cuts recommended by the President would affect payments to veterans for disabilities which did not result from active service. The attempt to reduce the veterans' drain upon the national treasury apparently has the support of Mr. Roosevelt and is the chief aim of the powerful lobby known as the National Economy League. The Veterans' Administration itself has recommended reforms which would coincide somewhat with the President's program.

While these aspects of balancing the budget as well as pay cuts for civilian employes of the government and curtailment of Federal appropriations for public works remained unsettled, the House of Representatives considered annual departmental supply bills. On Dec. 15 the Treasury-Postoffice bill was passed by the House, carrying a total appropriation of $963,416,597, which was $32,912,304 below the budget estimate. President Hoover's plea of 11 per cent reduction in all salaries over $1,000 a year was ignored. By the end of the month the bills for the Interior Department and the Department of Agriculture had passed the House with reductions of about $2,000,000 and $65,000,000 from the amounts asked for in the budget. While much of this saving was only on paper and might be lost in the Senate, House leaders were hopeful that nearly $400,000,000 might be cut from the total budget estimate.

The only new source of revenue with which to balance the Federal budget that appears likely to be accepted is the beer tax which the Democrats have advocated. However, the probable return from such a tax is uncertain, while the tax depends upon making the sale of beer legal—a process which is not as easy as many people have hoped or believed. A bill to modify the Volstead act in order to permit the manufacture and sale of beer of 2.75 per cent alcohol by weight and of non-intoxicating wine had been prepared before the convening of Congress. On Dec. 7 hearings on the bill were begun and continued for a week, a period during which the Secretary of the Treasury, brewers, scientists and representatives of both the wets and drys stated their position on the bill. On Dec. 15 the House Ways and Means Committee, by a vote of 17 to 7, reported favorably on the bill, which had been revised so as to legalize beer with an alcoholic content of 3.2 per cent by weight. The provisions regarding wine were deleted from the bill. A tax of $5 a barrel was provided for, while a brewer's permit fee was set at $1,000 a year. Attempts to amend the bill so as to legalize wine were easily defeated, but the bill itself was passed by the House on Dec. 21 by a vote of 230 to 165. It was then sent to the Senate, where consideration was delayed until after the new year. Should the bill be passed by the Senate a Presidential veto is expected and passage over the veto is unlikely.

After protracted hearings and discussions before the Agricultural Committee a definite proposal for farm relief was introduced in the House of Representatives on Jan. 3. The heart of this bill was the voluntary domestic allotment plan, which was described in the article "Prosperity Waits Upon The Farmer," published in November CURRENT HISTORY. According to this scheme a bounty would be paid to the raisers of wheat, cotton, hogs and tobacco who limited their production to a stated amount in an attempt to bring the price of farm products to the pre-war level

and thus restore the purchasing power of the agricultural regions. The funds to pay the bounty to the farmer would be secured by an excise tax upon the processor, who would pass it on to the consumer.

This plan was vaguely approved by Mr. Roosevelt in his speech at Topeka in September and has since become a Democratic measure of farm relief. It also has the support of the most important farm organizations, although it is opposed by the meat packers, textile manufacturers and the millers. But this proposal, like the legalizing of beer, is almost certain to be vetoed by President Hoover if it is passed by the House and Senate.

There are many other measures before Congress, but few of them are likely to receive consideration at the short session. The Glass bill for reform of the nation's banking system was taken up in the Senate on Jan. 5 and some action upon it may be expected. [See the article "Toward Safer and Stronger Banks" on page 558 of this magazine.] Some plan for unemployment relief is certain to be presented to Congress, but nothing has been done except for a bill passed by the House turning over to the Red Cross the remainder of the cotton held by the Cotton Stabilization Corporation set up by the Farm Board. In the Senate hearings have been held on the Costigan-La Follette relief bill, which would establish a Federal fund of $500,000,000 for relief donations to the States and remove unemployment relief from the jurisdiction of the Reconstruction Finance Corporation. The fund would be raised by a bond issue, would be administered by a relief board and would be apportioned on the basis of population.

MR. ROOSEVELT'S ACTIVITIES

The position of the President-elect during what amounts to an interregnum is always interesting, but never more so than when he is the leader of a party opposed to that which has been in power. Since his election the nation through its press has watched every move of Franklin D. Roosevelt. Every meeting he has held with prominent political or industrial figures has given rise to talk about Cabinet possibilities or deviations from Republican policies. But Mr. Roosevelt has maintained for the most part a discreet silence upon his plans. His relations with President Hoover on the war debts problem were not happy, but only the most partisan hesitated to grant that he had ably handled an embarrassing situation. [See Dr. Gerould's article on pages 585-587 of this issue.] He has made known his opposition to a sales tax and has insisted that the Federal budget be balanced, that some measure of farm relief be enacted and that beer be legalized, but his attitude has been made known indirectly and not in public pronouncements.

During the interludes of his last weeks as Governor of New York State and later when temporarily a private citizen, Mr. Roosevelt conferred with the leaders of his party in Congress, with financiers and industrialists and with the diplomat Norman H. Davis. Exactly what took place at these conferences was a matter of surmise; undoubtedly the President-elect was taking soundings as well as giving his own position. On Jan. 5 a group of Democratic Senators and Congressmen met Mr. Roosevelt in New York City to determine the program of action in the remaining weeks of the present Congressional session and to discuss general policies.

THE ECONOMIC OUTLOOK

The actions of Congress, of President Hoover and of Mr. Roosevelt reflect to a large extent the continuance of the depression. At the end of the year a general tone of pessimism was apparent in the statements issued by the leaders of the business world. Some professed to see hopeful signs, but none dared to assert that recovery

had begun except in so far as the working of certain economic forces had prepared the way for a gradual upturn. Certainly most available statistics lent support to this general pessimism.

The New York Times index of business activity showed little fluctuation in December. For the week ended Nov. 26 it stood at 55.5; a week later at 54.3. For the week ended Dec. 17 it reached 58.5, the highest point since April, 1932, and then during the next week fell to 57.5. While these indices have been cited as evidence that business conditions are becoming stabilized, it should be quickly added that this stabilization is at a level which if continued for long means bankruptcy to many enterprises. Commodity prices have fallen again; for the week ended Jan. 3 *The Annalist* index stood at a new low of 83.7. Gold stocks held by the Federal Reserve System have continued to increase and now have wiped out the losses sustained during the first half of 1932. American exports in November, which were the smallest in thirty years, were valued at $139,000,000—$14,470,000 less than in October.

Despite the aid extended by the Reconstruction Finance Corporation, 1,400 banks failed in the United States during 1932. How many more would have closed their doors without the vast sums—more than $800,000,000—advanced by the R. F. C. is a matter of conjecture. Many economists have come to believe that the loans made by the R. F. C. to banks and railroads have delayed the general deflation of the American economic structure which is now considered necessary for recovery. If that be true, then the outstanding Federal measures for economic relief have been at fault, because the loans by the R. F. C. to the States for unemployment aid and for self-liquidating projects have amounted to little, and the benefits promised by the Federal building program and the Home Loan Bank act have proved illusory.

While the banking situation has shown improvement, because or in spite of the loans from the R. F. C., the railroads still seem to be headed toward receiverships and reorganization. The rate of decline in railroad earnings has been checked to some extent, but it was estimated that the Class I roads of the country would show a combined deficit of $200,000,000 for 1932, according to statements made before the Interstate Commerce Commission on Dec. 28. As partial relief the roads have sought to obtain higher freight rates and to lower the wages of their employes.

On Dec. 12 a wage conference was held at Chicago between representatives of the railway labor unions and the railroad managers. The railroads desired to make permanent the 10 per cent cut in wages which was accepted for a year as an emergency measure but which was to expire on Jan. 31, 1933. The railroad managers made no secret of the fact that they would like to reduce wages another 10 per cent, but on both issues they had to deal with the strongest labor unions in the country. Eventually, after ten days of bitter negotiation, the unions agreed to accept an extension for nine months of the 10 per cent wage reduction with automatic restoration of the old basic rates at the end of that time. This compromise satisfied neither group, and the question is certain to be debated again. Meanwhile, as the roads sought to reduce their operating costs through cutting wages, the National Transportation Committee continued its investigation of the general railroad situation with the promise of making a report in the early Spring.

As business continued in the doldrums and industry failed to show any improvement, unemployment grew worse. Employment fell 1 per cent and factory payrolls 3.1 per cent in November, according to a report of the Department of Labor, while the A.

F. of L. estimated the number out of work in November at 11,590,000—an "all-time peak"—but added that the ratio of increase was not as great as in previous months. That women have been losing jobs faster than men is the conclusion of the Women's Bureau of the Department of Labor in its annual report. At the same time the depression has given rise to many more sweatshops which are exploiting women and bringing again before the nation the deplorable conditions associated with child labor. The National Child Labor Committee has declared that children are being widely employed in sweatshops in Connecticut, Massachusetts, Pennsylvania and New Jersey, working often for fifty-one hours a week at wages from $1 to $3 a week.

As the various government plans of unemployment relief have proved inadequate, labor and the unemployed have begun to seek a way out. President Green of the A. F. of L. has urged resistance against further wage cuts and has advocated the shorter working week, with the use of strikes if necessary to protect labor. The most spectacular attempt to obtain relief was the march of about 3,000 unemployed to Washington early in December. Behind the demonstration was Communist inspiration. No disorder occurred during the stay of the marchers in the capital city, although reports indicated that the police would not have been averse to an opportunity to break up the demonstration forcibly. After presenting petitions for aid to Vice President Curtis and Speaker Garner the hunger marchers returned to their homes. Another means of meeting the problem of unemployment has grown up among the unemployed themselves in the form of a system of barter. J. Douglas Brown of Princeton University told the American Statistical Association on Dec. 30 that 140 separate barter exchanges were in operation in twenty-nine States. In Ohio the use of scrip instead of currency has begun to come into vogue.

In the midst of these makeshift methods of aiding the workless millions the movement for unemployment insurance has been accelerated. In New York, Connecticut, Massachusetts, New Jersey, Pennsylvania and Ohio attempts are being made to bring about legal enactments looking toward compulsory unemployment insurance. The approval of such schemes by the A. F. of L. has undoubtedly helped to make eventual success probable.

While urban workers battled with the problems of the economic crisis the farming population of the United States faced what threatened to be the worst Winter in modern times. With prices for products so low that farmers are unable to pay taxes or interest on mortgages and with the resulting debt burden becoming heavier and heavier, the farm belt wanted action. While the voluntary domestic allotment plan, if adopted, might be helpful eventually, it would not save the farmer from immediate loss of his farm by foreclosure. Crop limitation, likewise, would be of no immediate aid. In many sections of the Middle West groups of farmers have gathered to prevent Sheriffs' sales of farms foreclosed because of overdue taxes or defaulted interest on mortgages. The farm strike of last Autumn, ineffectual as it was, gave some evidence of the temper of the Middle Western farmer.

Early in December "dirt farmers" from thirty States met at Washington to formulate demands for agricultural relief. Part of their program demanded a moratorium on farm mortgage foreclosures and a refinancing of such indebtedness with Federal aid. Discussion of the proposed moratorium was later heard in Congress, as well as in the Legislatures of some of the agricultural States. Meanwhile, representatives of farm organizations were appearing before the House Committee on Agriculture and stating

their position on the various plans to aid the farmer. It was notable that while favoring the preservation of the cooperative and educational work sponsored by the Federal Farm Board the farmers' organizations were opposed to the continuance of the stabilization activities which have played so large a part in bringing the Farm Board into disrepute.

PHILIPPINE INDEPENDENCE

A new chapter in American imperialism appeared to be completed on Dec. 29, when the House of Representatives by a vote of 171 to 16 approved the Hawes-Cutting bill for eventual independence of the Philippines. For nearly thirty-five years the question of what to do with the great Asiatic archipelago has agitated American politics, although it should be added that the public as a whole has never been interested in the possession, either as an evidence of American world power or as a field for investment.

While Philippine independence has been aired in Congress and the press for many years, it seems unlikely that the step of granting independence would have been taken for a long time if American agricultural interests had not become excited over the alleged competition in the home market of Filipino products and labor. Urged on by this selfish motive rather than by altruism, bills were introduced into Congress at its last session for the independence—with some reservations—of the Philippines. The Hare bill passed the House, but Congress adjourned before the Senate took action upon that bill or upon the Hawes-Cutting measure, which was pending in the upper house.

Soon after the lame-duck session convened the Senate began its consideration of the Hawes-Cutting independence bill. On Dec. 17, after eight days of heated debate, the Senate adopted the bill, which, as the House refused to concur, then went to conference with representatives from that body. Five days later the Senate adopted the conferees' report, as did the House on Dec. 29. The bill in its final form provided that the act should be approved by the Philippine Legislature, which would have the option of accepting or rejecting the entire proposal. If accepted, the islands, through the Legislature or a special convention, must adopt a republican constitution which within two years of passage of the Hawes-Cutting bill must be submitted to the President of the United States for approval, and if so approved must be accepted by a popular vote of the Filipinos themselves. Ten years after adoption of this constitution the islands would become independent.

Other provisions of the act placed somewhat onerous restrictions upon the Philippines during the ten-year probationary period. At the end of that time they would be outside American tariff walls, but meanwhile their export of sugar, duty-free, to the United States would be limited to 850,000 long tons annually, their exports of cocoanut oil to 200,000 long tons, and cordage and similar fibers to 3,000,000 pounds. Emigration to the United States would be limited to fifty persons a year. During the ten-year period the Philippine Government must assess a gradually increasing export tax upon goods shipped to the United States. Nevertheless, throughout the period of probation American goods must be admitted to the islands without paying any duty. Besides numerous less important provisions the bill reserved certain military posts to the United States upon the attainment of Philippine independence.

While the American people thus seemed to have turned away from their traditional loyalty to manifest destiny, the Filipinos, who had long been agitating for independence, discovered the old truth about looking a gift horse in the mouth. Foreseeing economic ruin if the Hawes-Cutting bill became law, yet hesitant to re-

pudiate their former stand, political leaders in the Philippines compromised by approving a petition to President Hoover for signature of the bill, but voted lack of confidence in the independence commission at Washington. Meanwhile Filipino legislators attacked the bill as a joke, as selfish and ill-advised.

The economic situation of the islands has not been good and the prospect of being shut off from American markets is disheartening, especially because the Philippine Legislature at its last session adopted tariff schedules which tended to favor imports from the United States to a greater extent than ever before. At the same time the Philippine budget is unbalanced and the reorganization of the government, which has long been urged, has not been carried out.

THE REPORT ON SOCIAL TRENDS

A monthly chronicle of events in the United States such as appears in these pages touches on the underlying forces in American life only when it is necessary to relate actual happenings to broader trends. The real task of showing how the incidents of a day or month are only part of a larger historical evolution requires such ample treatment as we find in the great report of the President's Research Committee on Social Trends.

In September, 1929, President Hoover asked a group of scientists under the chairmanship of Dr. Wesley C. Mitchell "to report upon recent social trends in the United States with a view to providing such a review as might supply a basis for the formulation of large national policies." Three years of study and research have resulted in a voluminous report upon political, social and economic developments in the United States during the past thirty years. In the two volumes of the report and the thirteen volumes of special studies and supporting data will be found a mine of information on the "bewildering confusion" of American life. But it is the conclusions of the committee, rather than its actual findings, which at the moment deserve attention.

In an era which has praised "rugged individualism," a committee of experts, set up by an exponent of individualism, concludes that only a planned society will prevent violent political and social change. In the committee's words, "the type of planning now most urgently required is neither economic planning alone nor governmental planning alone. The new synthesis must include the scientific, the educational, as well as the economic (including here the industrial and agricultural) and also the governmental. All these factors are inextricably intertwined in modern life, and it is impossible to make rapid progress under present conditions without drawing them all together."

In the Winter of 1931-32 there was much talk in the United States of economic planning; now that talk is reinforced by the report of a semi-official committee. The committee, however, goes further and recommends not only economic planning but a whole planned society. Such an ideal seems distant indeed; yet there are many straws indicating the direction in which the wind is blowing. The two-volume report, *Recent Social Trends,* is one; another is the report of the Committee on the Costs of Medical Care, reference to which was made in these pages last month. Sociologists, economists and prominent industrialists now advocate various degrees of social planning before all kinds of meetings and in the nation's press. Possibly we are witnessing the first steps toward a new organization of society; certainly the agitation is indicative of forces in American life which are striving to overcome the weaknesses which have become apparent in twentieth century civilization.

The Marines Leave Nicaragua

By CHARLES W. HACKETT
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AFTER six years of continuous military intervention in Nicaragua, the United States Government began to withdraw its marines on Nov. 29, 1932, and completed the evacuation by Jan. 2 of this year. Before the withdrawal began the marine personnel in Nicaragua consisted of 1,408 officers and enlisted men.

American marines were first landed in Nicaragua in August, 1912, and from then until August, 1925, a detachment that seldom numbered more than 100 men was kept at Managua as a Legation Guard. All marines were withdrawn from Nicaragua on Aug. 1, 1925, but an expedition was sent to that country temporarily in May, 1926. In December of the same year marines were again landed and began the military intervention that was formally terminated on Jan. 2, 1933. At the peak of this intervention, in 1928, there were 5,365 marines and 465 naval officers and men in Nicaragua; in addition, fourteen United States men-of-war patrolled Nicaraguan waters to prevent the landing of arms intended for the rebels.

American casualties since May, 1926, have been five officers and 29 men killed in action against bandits and insurgents and 14 officers and 85 men fatally wounded. Major Gen. B. H. Fuller, commandant of the Marine Corps in Nicaragua, stated in his annual report that during the past year the marines had engaged in extensive operations against rebels in various parts of Nicaragua, either independently or in support of the Nicaraguan National Guard. It was officially estimated before the Appropriations Committee of the House of Representatives that the expense of maintaining the marines in Nicaragua has been approximately $1,000,000 more than would have been required to maintain them at home in their ordinary pursuits.

The United States Department of State on Jan. 1 issued a review of the marine occupation of Nicaragua in which it was stated that the marines were sent in 1926 at the request of the Nicaraguan authorities to protect American lives and property, and had remained there under an agreement with Nicaragua which ended a civil war, for the dual purpose of organizing and training a non-partisan constabulary, and of supervising the elections of 1928, 1930 and 1932. These aims, the statement announced, have all been realized, and satisfaction was expressed as to the work of the marines and the development of political responsibility among the Nicaraguan people. Assurance was given that no American armed forces would remain in Nicaragua in any capacity whatever.

Dr. Juan B. Sacasa and Dr. Rodolfo Espinosa were inaugurated as President and Vice President of Nicaragua on Jan. 1. In his address President Sacasa stated: "Two major problems are before the government: first, the disturbed conditions in the northern department and, second, the withdrawal of the United States Marines. The departure of the marines imposes a sacred duty on the entire citizenry to cooperate with the government to bring about peace. * * * I intend to maintain the National Guard free from political activities. I am disposed toward encouraging private ini-

tiative and the establishment of new industries, the building up of the means of communication and closer relations with the Central American republics."

AGRARIAN CONFLICT IN MEXICO

A dispute between the Mexican Government and the State of Vera Cruz arising out of divergent views on agrarian policy produced a situation that bordered on anarchy in that State during December. In order to enforce its own decision in the question at issue, the Mexican Government found it necessary to dispatch a considerable number of federal troops to Vera Cruz.

The State of Vera Cruz desires to bring about the distribution of expropriated agricultural lands to communal groups or to villages, and such action has the strong support of former Governor Adalberto Tejeda. The federal government, on the other hand, requires that these lands be distributed to individual farm workers and their families. The policy of Vera Cruz was initiated in 1920, at the beginning of the Mexican agrarian reform movement, but later was discontinued. On Dec. 9, Minister of Agriculture Elias condemned its revival, saying: "With insecurity in possession of his parcel, the farm worker would be in a worse position than that of the serfs on the old haciendas."

Meanwhile, on Dec. 1, Governor Tejeda resigned, apparently for the purpose of promoting his campaign for the Mexican Presidency; his candidacy was endorsed in October by the Ruralists and the Workers' Syndicate. Though a member of the National Revolutionary or Government party, he is recognized as the leader of its radical wing. During his tenure of office Vera Cruz took the lead among the Mexican States in restricting church activities, in enacting advanced social legislation and in passing radical laws for the seizure of private property.

Coincident with Governor Tejeda's resignation, the federal government sent soldiers and army engineers to Vera Cruz—the former to compel the State authorities to comply with the federal agrarian policy and the latter to parcel out lands in accordance with that policy. When clashes occurred between these federal forces and 15,000 armed agrarians, large reinforcements were dispatched to the State and the disarming of the agrarians was begun. The government's determination in this matter was expressed by President Rodriguez, who said: "I will not tolerate any attempted anarchical dissensions within the unity and harmony now existing. The government over which I preside will proceed with all the necessary energy that the circumstances may require against those who plan to violate the mandates of the Constitution and create internal disorders." Political observers in Mexico City interpreted this as a warning that the government would not permit its opponents to form a radical political party under Tejeda. The latter, on being urged by a delegation of Radical Socialists to stand for the Presidency, was quoted on Dec. 11 as having said: "The workers of all kinds, rural and industrial, must stand solidly together. The proletariat should take control."

The latest of a series of socialistic laws sponsored by former Governor Tejeda went into effect in the State of Vera Cruz early in December. This law legalizes birth control, provides for the sterilization of criminals and mental defectives and prohibits the marriage of persons who are mentally deficient or physically unfit. In order to insure the operation of these measures the law established a Bureau of Eugenics and Mental Hygiene, which was placed under the State Department of Health.

Two more Mexican States have re-

cently conformed to the nation's general policy to limit by law the number of Catholic priests. In the State of Guanajuato a law limiting the number of priests to one for every 25,000 inhabitants went into effect on Dec. 5. The Governor of Durango on Dec. 15 issued a decree limiting the number of church officials in that State to twenty-five. The Legislature of the State of Querétaro on Dec. 4 requested the Federal Congress to expropriate all Catholic churches throughout the country and to convert them into schools, training shops and recreational centres.

On Dec. 3 the National Board of Arbitration and Conciliation handed down its decision regarding the strike last June of employes of the Southern Pacific Railway of Mexico. In July the government ordered the strikers to return to work without prejudice to their cause. On the whole the board's decision was favorable to the strikers, since the railway was denied the right to make a 10 per cent salary reduction or to dismiss 183 right-of-way workmen. On the other hand the company was not required to pay employes for the actual period of the strike and was authorized to use foreigners in positions requiring ability to direct the work of others.

Mexico's intention to withdraw from the League of Nations at the end of 1934—on the expiration of the two years' time limit for such notification—was officially disclosed at Geneva on Dec. 15. Mexico's membership in the League has been unprecedentedly brief, only fourteen months having elapsed since she became a member. In September, 1932, Mexico was honored with a seat in the League Council, but her delegate has not been active. Minister of Foreign Affairs Téllez on Dec. 15 explained that the effects of the world depression upon Mexico and the need for economy were responsible for Mexico's decision, but that "if the Mexican economic situation improves, she will remain a member of the League, with whose high principles she is now so fully identified." Leading Mexico City newspapers attribute the government's decision to the League's failure to cope effectively with the Manchurian problem and with the Chaco conflict between Bolivia and Paraguay. Spanish and Latin-American diplomats at Geneva, who were active in inducing the League in 1931 to upset precedents in order to speed Mexico's entry and who later supported her candidacy for a Council seat, were reported to have felt that Mexico had failed them through her decision to withdraw.

Numerous changes in Cabinet and other high government positions were made during December. Eduardo Vasconcelos was promoted on Dec. 17 from Acting Minister to Minister of the Interior. Manuel C. Téllez, Minister of Foreign Relations, resigned on Dec. 20 and was succeeded by Dr. José M. Puig Casauranc, Ambassador to the United States since November, 1931. It was expected that Señor Téllez would be reappointed as Ambassador to the United States, a post he held for eleven years before being called to Mexico a year ago to serve in the Cabinet of ex-President Ortiz Rubio. On Dec. 27 General Lazaro Cardenas, former Governor of Michoacan and Minister of the Interior, was named Minister of War. That portfolio had not been filled since President Rodriguez vacated it to become President. At the same time General Miguel Acosta was granted a leave of absence as Minister of Communications and was named chief of military operations in Vera Cruz. Numerous shifts of military commanders were also made throughout the country. Two newly created Cabinet posts were filled on Dec. 29; that of Minister of National Economics by Primo Villa Michel, and that of Labor by Juan Ríos Bojorquez.

REBELLION IN HONDURAS

The rebellion in Honduras, which grew out of dissatisfaction with the

result of the recent Presidential election, continued during December and threatened to overthrow the government. On Dec. 12 the garrison at Amapala, the only Honduran port on the Pacific, joined the rebellion at the request of General José María Reina, who had arrived two days earlier from Guatemala. An extraordinary session of Congress on Dec. 15 approved decrees declaring martial law and commandeering for military purposes all funds in special treasuries. On Dec. 21 the government was authorized to float a loan of $500,000 to be used exclusively for war purposes and to pledge customs revenues as security for the loan. The United States Chargé d'Affaires in Honduras cabled shipping representatives in the Canal Zone that the Port of Amapala had been closed because of the hostilities. Government forces under General Camilo Reina and rebel forces under his brother, General José María Reina, were reported on Dec. 26 to be facing each other in western Honduras, with a major battle in prospect.

CENTRAL AMERICAN TREATIES

The recent effort of the Costa Rican Foreign Minister Pacheco to negotiate an agreement with other Central American countries to abrogate the Central American peace pacts of 1923 has met with disapproval from Guatemala. The Guatemalan Foreign Minister was quoted on Nov. 29 as saying: "The treaties, in my opinion, have produced more benefit than harm and should be revised, rather than suppressed."

South American Republics at War

By HENRY GRATTAN DOYLE
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THE new year found a marked shift of emphasis in South American political affairs compared with the preceding three years. Instead of internal difficulties—though these are by no means absent—international problems, represented by the war in the Chaco between Paraguay and Bolivia, and the warlike atmosphere surrounding the Leticia affair, which concerns Peru and Colombia, now hold the centre of the stage.

Were it not for the checkered political history of Chile and Ecuador during the past year and the imposing military revolt from which Brazil is just recovering, the friends of constitutionalism might find a great deal of encouragement in the South America of 1932. The inauguration on Dec. 5 of Juan de Dios Martínez Mera as President of Ecuador and on Dec. 24 of Arturo Alessandri as President of Chile has restored the helms of their respective ships of state to constitutionally chosen pilots. Only one "strong man" government—that of General Gómez in Venezuela — now holds sway in South America, as compared with two at this time last year, and only one Provisional President, Señor Vargas of Brazil, is still in office, as compared with two a year ago. Elections have been announced in Brazil which, if held next May as scheduled, should replace the only remaining *de facto* government with a *de jure* one.

Real ground for discouragement exists, however, in the international field. The war in the Chaco is being prosecuted with renewed vigor, while



Centres of conflict in South America

neutral efforts to compose the quarrel apparently have reached their lowest degree of effectiveness. A new factor here is the shift of the tide of military success in favor of Bolivia, which in a brilliant campaign has apparently turned the tables on her opponent. As for the Leticia affair, warlike preparations by Colombia and Peru seem to have developed to the stage where military action is imminent, with all that it involves in unnecessary bloodshed and expenditure, to the consequent concern of neutral governments, particularly that of Brazil.

WAR IN THE CHACO

General Hans Kundt, the German officer who trained and commanded the Bolivian Army until the downfall of the Siles régime, reached La Paz on Dec. 6. A Bolivian citizen, he had been summoned back from exile in Germany by the Bolivian Government. As reported in these pages last month, the Paraguayan advance in the Chaco, which had gone forward steadily, if at times slowly, seemed to have been stopped late in November after a series of attacks on Forts Agua Rica (Samaklay), Saavedra and Marguía, with Fort Muñoz as the ultimate objective, had failed. By the end of December the stalemate was broken and the Bolivian troops had regained practically all the ground that they had lost since last September and apparently were seriously threatening Fort Nanawa (Ayala) itself, the Paraguayan base in the southern sector of the Chaco.

Brilliant leadership, whether it was contributed by General Kundt or by others, undoubtedly played an important part in this reversal of the fortunes of war. Other factors of equal importance were no doubt Bolivian road-building and transport accomplishments, superiority in artillery and in the air, and perhaps the exhaustion of the Paraguayans and the attainment by the Bolivians for the first time of their maximum effectiveness. At all events, the list of objectives attained reads in reverse order like the story of the earlier Paraguayan offensive.

The series of attacks by the Paraguayans on the Saavedra front, to which reference was made last month, continued unabated until mid-December. The climax to five weeks of struggle occurred at Kilometer Seven, on the Alihuata Road, about seven kilometers northeast of Fort Saavedra, at a point where the dense forests are interrupted by comparatively level pampa. In the week of continuous fighting which preceded the final repulse of the Paraguayan offensive on Dec. 10 heavy casualties are reported to have occurred. The Bolivians, well entrenched and protected by machine-gun nests and good artillery, apparently inflicted heavy losses on the attackers. In Bolivian counter-attacks light tanks are reported to have been used effectively, while Bolivian aviators dropped bombs on the Paraguayans or flew low to direct deadly machine-gun fire at them.

In many respects the fighting methods in this sector apparently ap-

proached the trench warfare of the World War, with night attacks under the light of star shells, artillery barrages and hand-to-hand fighting in which every foot of ground was bitterly contested. Reports from Buenos Aires estimated that 20,000 men were engaged in the fighting at Kilometer Seven alone, and Bolivians claimed that 1,400 Paraguayans were killed in the Saavedra sector. Unconfirmed reports from Buenos Aires estimated the Paraguayan dead and wounded since hostilities started at 12,000 and the Bolivian at 18,000.

General Kundt left La Paz for the front on Dec. 10 and on Dec. 13 the Bolivians resumed the offensive in the northern sector after having fought an almost purely defensive war since Sept. 29, when they lost Fort Boquerón to the Paraguayans. The first victory was the recapture of Fort Platanillos, taken by Paraguay on Nov. 6, and important because of its control of several good roads, including the road to Fort Cabezón, terminus of the new Bolivian road from Fort Balivián, which passes through relatively high and dry terrain. On Dec. 15 Fort Loa was recaptured, on Dec. 20 Fort Jayacuba and on Dec. 21 Fort Bolívar, virtually restoring the military status quo in the north as it was at the beginning of hostilities on July 15.

Renewal of activity in the north, with the Bolivian offensive obviously having as its objective the recapture of Forts Toledo, Corrales and Boquerón, combined with Bolivian air attacks on Bahía Negra (Puerto Pacheco), apparently marked a turning point in the war. Advances in the north, or Puerto Casado sector, compelled the Paraguayans to withdraw troops from the south, or Saavedra sector, thereby lessening pressure on the Bolivians there. Retirement of the Paraguayans in the south to Nanawa and concentration of other forces at Forts Arce and Boquerón were obviously intended to protect the railhead of the railway line running east from Nanawa to Concepción, the general staff headquarters on the Paraguay River, as well as the two shorter lines running to Puerto Piñasco and Puerto Casado. The Bolivians were not slow to take advantage of the Paraguayan withdrawal and on Dec. 31 reported the capture of Fort Duarte, one of the main outposts of Nanawa. On Jan. 3 the Paraguayans officially admitted the abandonment of Fort Corrales.

Bolivian morale, encouraged by this series of successes, was at a high point as the new year opened, while Paraguayan hopes had correspondingly ebbed. Newspaper reports indicated that the air bombardment of Bahía Negra, far to the north and remote from the active fighting, inflicted serious damage and had a bad effect on the morale of the Paraguayan civilian population.

The departure of Dr. Juan José Soler, Paraguayan delegate to the commission in Washington which has been endeavoring to conciliate the disputants in the Chaco quarrel, brought perilously close to a complete breakdown neutral efforts to end hostilities and to lay the groundwork for permanent adjustment of the dispute. Dr. Soler, under instructions from his government, sailed from New York on Dec. 31. The Paraguayan refusal to continue negotiations, besides being bad tactics diplomatically, came at a time when the Paraguayan arms, suffering from a series of setbacks, had begun to lose military prestige and whatever advantages, if any, a favorable military position may have in such negotiations.

The action of the Paraguayan Government followed its refusal to accept a new neutral proposal advanced on Dec. 15. Important points in this plan were suspension of hostilities within forty-eight hours; ratification of the agreement within one month; withdrawal of the respective forces—the Paraguayans to the Paraguay River and the Bolivians to a line running from Fort Ballivián to Fort Vitriones; demobilization of the armies to peace

strength and policing of the evacuated zone by a small force from each country, with a central zone between them. These steps would not prejudice the juridical position of either party. A further provision would leave determination of the territorial limits of the Chaco, in case the parties were unable to agree, to experts appointed by the American Geographical Society of New York, the Royal Geographical Society of London and the Geographical Society of Madrid. If an arbitral tribunal could not be agreed upon within four months, the case would go to the World Court.

On Dec. 17 Paraguay rejected the proposal on the ground that it was unjust and openly favorable to Bolivia, by converting a question of frontiers into one of territorial litigation. Paraguay also objected to the apparent inclusion in the Bolivian police zone of the territory given to Paraguay in an arbitral award by President Hayes in 1878 and which she has occupied ever since. The recall of Dr. Soler was ordered on Dec. 19. The next day Bolivia replied to the neutral proposal that "in view of the absolute rejection by Paraguay, this government does not believe it useful to touch on any of its points," The note, however, stated that while previous communications indicated acceptance in principle of the main features of the plan, a detailed discussion would bring out observations by Bolivia "of a differing nature" with regard to some of its articles.

Except for the two principals, the neutral proposal received widespread support not only from the foreign offices of the other American republics but from the Council of the League of Nations, which on Dec. 17 broadcast by radio a world-wide appeal in Spanish, French and English for cessation of hostilities in the Chaco.

In a reply to the Paraguayan rejection, the neutral commission on Dec. 20 pointed out that its proposal was not intended to examine titles or decide rights, but merely to indicate "an honorable and appropriate proceeding to terminate hostilities immediately and submit the Chaco question to arbitration." The neutrals further declared that the fact that both parties did not find the proposal entirely satisfactory was an indication of its justice, equity and impartiality. Further interchanges in an effort to have Paraguay reconsider its rejection of the plan and cancel the recall of Dr. Soler were without result. A neutral note on Dec. 23 pointed out that while Paraguay now objects to withdrawal of Bolivian troops to the Ballivián-Vitriones lines, only last August it considered adequate the positions of June 1, 1932, which were much nearer the Paraguay River.

Informed of the departure of Dr. Soler, the neutral commission in an identic note dispatched on Dec. 31 asked the four countries nearest to the zone of hostilities—Argentina, Brazil, Chile and Peru—what steps they were prepared to take to bring about peace. "There is no justification for continuation of fighting," according to the note, "when a just and fair way out is offered." Reports that efforts would be made to transfer the seat of neutral negotiations to Buenos Aires were not thought to promise success, since Bolivia is believed to be opposed to Argentina's "good offices" because of the latter's financial interests in Paraguay. Bolivian reports claim that Argentine officers are serving in the Paraguayan Army.

The question of an embargo on the sale of arms to the combatants was raised late in December, when it was reported that President Hoover had prepared a message to Congress in which he would ask approval of the prohibition of shipments of arms to any country regarded as a possible or actual threat to international peace. The Presidential message was finally sent to the American Congress on Jan. 10. The retiring Chilean Foreign Minister, Jorge Matte, on Dec. 22 pro-

posed a new international code governing relations of neutrals with neighboring countries at war, whether war is declared or not. It is obvious that Chile, through whose ports of Antofagasta and Arica Bolivian munitions are received, is seeking, like the United States, to find a method whereby failure to declare war may not save combatants from the consequences of actual warfare in so far as they affect the attitude of neutral nations toward them. While most of the war materials used in this instance come from Europe, it is charged that American bankers have lent Bolivia $20,000,000 for the purchase of arms, most of the money being spent for that purpose in Great Britain.

THE LETICIA AFFAIR

Though Brazilian dispatches heavily discount reports of large concentrations of troops by Colombia and Peru in the vicinity of Leticia, the Colombian village on the Upper Amazon seized by Peruvians on Sept. 1, there seems no reason to doubt that forces either in the vicinity or on their way to the seat of trouble are comparatively large in number if difficulties of transportation are considered.

On Jan. 2 the Colombian transports Cordoba, formerly a French transport, and Boyacá, formerly the American merchantman Bridgetown, and a number of gunboats sailed from Pará. Under a treaty between Colombia and Brazil, Colombian Government vessels have the right to use Brazilian rivers en route to Southern Colombia. Reported Peruvian efforts to induce Brazil to block the progress of the Colombian flotilla were apparently fruitless. The ships were reported to carry 1,000 soldiers, as well as munitions and supplies.

All Colombian forces in the vicinity of Leticia have been placed under the command of General Alfredo Vázquez Cobo, Colombian Minister to France, who was aboard one of the vessels. The appointment of General Vázquez Cobo, who was an unsuccesful candidate for the Presidency against President Olaya Herrera at the last elections, to this post is typical of the nonpartisanship which has characterized Dr. Olaya Herrera's conduct of the Presidency, as well as indicative of the general support that his "concentration" administration enjoys.

Brazil is reported to have about 400 soldiers near Leticia, 1,100 men on the way up the Amazon and 500 more about to sail, in order to preserve its neutrality in case hostilities break out between Peru and Colombia.

Neutral intervention in an effort to compose the Leticia situation does not seem likely to succeed, in view of Colombia's attitude that the matter is purely domestic and that her troop movements are merely an assertion of her authority and police powers in her own territory.

CHILE'S NEW PRESIDENT

President Arturo Alessandri of Chile began a six-year term on Dec. 24. The members of his Cabinet, chosen for their ability rather than as party men, included Don Miguel Cruchaga Tocornal, former Ambassador to the United States, as Minister of Foreign Affairs. The new President pledged himself to strict constitutionality and announced a "semi-socialistic" program to further the interests of the proletariat "not with fancy theories or magic formulas but with genuine laws for sociai and mass betterment." It was announced that President Alessandri would shortly issue a manifesto urging a Pan American customs union. In a statement on Dec. 27 he criticized American bankers for the part they had played in the abuse of credit by the Ibáñez régime, but maintained that "those who endeavor to show me as a bad friend of the United States because I criticize with severity certain acts carried out by Americans in my country, are misinformed." On Jan. 2 Cosach, the Chilean nitrate monopoly, was ordered to be liquidated by a commission consisting of

one member representing the company, one the government and one chosen by the Supreme Court. The monopoly was owned in equal shares by the government and foreign investors, most of whom are Americans. This action called forth a statement by the American president of the combine, M. G. D. Whelpley, who criticized the decree as contrary to deeds and organization papers signed by the government with legislative authorization at the time Cosach was created in 1931.

ARGENTINE STATE OF SIEGE

Following the arrest of former Presidents Hipólito Irigoyen and Marcelo T. de Alvear, together with other leaders of the opposition Radical party, on Dec. 16, the Argentine Congress on Dec. 17 voted to approve a declaration of a "state of siege"—modified martial law—for thirty days. Both actions were taken after the discovery of a revolutionary plot against the government of President Agustín P. Justo. Alleged details of the plan included the kidnapping of the President and bombings, 1,000 hand grenades having been seized by the government. Former President Irigoyen was again imprisoned on Martín García Island in the La Plata River, while the other prisoners were detained aboard the cruiser Veinticinco de Mayo. A number of those held, including General Luis Dellepiane, former Minister of War, and Honorio Pueyrredón, former Ambassador to the United States, were absolved of complicity in the plot by the Federal courts on Dec. 24, but the government continued to hold them under the powers granted it by the declaration of "state of siege."

South Africa Goes Off Gold

By J. BARTLET BREBNER

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THE Union of South Africa in 1931 exported $225,000,000 worth of gold, over half the annual production of the world. Yet after fifteen months of studied, skillful effort on the part of N. C. Havenga, the Minister of Finance in the Nationalist Government, headed by Prime Minister Hertzog, the gold standard for the South African pound was abandoned on Dec. 27, 1932. It succumbed to a confidence crisis and to a flight from the pound whose immediate causes were political and reflected economic conditions only partially. As was pointed out a year ago, the Hertzog Government proved able to withstand the pressure of the banks, the merchants and the mines and quieted its primary producers by devoting a primage duty on imports to the payment of bounties on primary exports. The South African party, under the leadership of General Jan Christiaan Smuts, made little headway as the Parliamentary Opposition.

The first hint of change came from the Germiston by-election on Dec. 1, when in a record poll the South African party nominee defeated the Nationalist by 4,527 votes to 3,076 in what was virtually a straight fight. The gold standard was the main issue. General Smuts, at the congress of his party at Bloemfontein on Dec. 7 and 8, took advantage of the Germiston election to invite Labor to cooperate with him. Nine Rand Labor leaders on Dec. 12 accepted the invitation, but the remainder preferred to maintain the separate identity of the Labor party.

Justice Tielman Roos caused much surprise when on Dec. 20 he resigned his position on the bench and announced his intention of entering politics for the purpose of bringing about the immediate devaluation of the currency and the extinction of racialism. He had formerly been leader of the Transvaal Nationalists and a member of the Hertzog Ministry, but he was a "two-stream" Nationalist, that is, an upholder of the belief that both English and Afrikanders should avoid policies tending to racial domination. He now sought to form a coalition by winning over members of both parties. The farmers rallied to his standard, but Smuts and the South African party felt that he was trying to reap the reward of their long campaign against Hertzog and seeking to relegate both Smuts and Hertzog to obscurity. Actually Roos had small success in securing the support of the parties' rank and file.

His manifesto, however, convinced many people that Hertzog could not maintain the gold standard against the double assault, and there began a withdrawal of gold sovereigns and a purchase of foreign exchange which quickly assumed threatening proportions. Although the Christmas holidays intervened and the banks severely limited purchases of exchange, it was calculated that between £2,000,000 and £3,000,000 left the country in three days. This speculation proved to be too much of a strain for the Reserve Bank and after a Cabinet meeting on Dec. 26 the bank was relieved of the necessity of redeeming notes with gold.

Several days of confusion followed, during which the South African Government tried to keep the pound on gold for external relations while it was off gold in internal transactions—the reverse of present Canadian practice. This effort failed and both banks and mines had to be set free to negotiate in internationally determined values. Hertzog did not resign, as had been expected, nor did he devalue the South African pound.

BRITAIN'S WAR-DEBT PAYMENT

Although the British Government on Dec. 15 paid $95,500,000 in principal and interest of the war debt to the United States, there was among the British people a general feeling that no more payments would be made without a complete re-examination of the situation. The Treasury experts in their memoranda for the Cabinet had, it seems, favored the policy which Mr. Lloyd George later summarized as "No parley, no pay." In these circumstances the Cabinet during November sounded out public opinion and received convincing evidence that default was unacceptable to the British people. The government therefore decided to pay and to pay in gold, because gold was immediately available at the Bank of England, whereas the purchase of dollars would mean open market operations and almost certain speculation in exchange. Mr. Winston Churchill put the case in another way in the House of Commons on Dec. 14 when he said that "there was unanimity of feeling in this country that gold was the least valuable thing we had to send." Superficially the transfer was very simple, for the Bank of England earmarked gold in its reserves for the Federal Reserve Bank of New York and began to ship it at once. Actually, from the British domestic point of view it was very complex, because, apart from the legal obligation of the Bank of England to value its gold at the old parity of the pound ($4.8665), consideration had to be given to the effects of the gold transfer on the exchange value of sterling, on the note circulation and on taxation.

The pound sterling, which had fallen to $3.14½ during the early exchange of notes with the United States, rose to $3.34, its level before the debt negotiations began, despite the fact that the payment reduced the

Bank's gold reserve from 33 1-3 per cent to 18⅛ per cent. This was regarded as largely due to renewed confidence in British promises to pay, but it was also believed that the Exchange Equalization Account, operated by the Treasury and the Bank, owned gold and that it would acquire more.

Another reassurance was contained in the statement by Neville Chamberlain, Chancellor of the Exchequer, on Dec. 14 that, while the Bank must contract its note issue to conform to the reduction in its reserves, there would be no compensatory increase in the fiduciary note issue. At the same time taxpayers were heartened to learn from Mr. Chamberlain that the debt payment, which was not budgeted for, would not have to be carried over as a deficit to the next financial year, but "would be met out of savings in the sinking fund and in the interest on Treasury bills.

At the end of the calendar year revenues for the first nine months of the financial year amounted to £404,000,000 and expenditures to £609,000,000. It was hoped that the January payments of three-quarters of the annual income tax and surtax would wipe out the deficit. The supplementary expenditure of £18,000,000 had had to be authorized on Dec. 19 for unemployment relief, but the new tariffs had already brought in £26,000,000 more than during the corresponding period of 1931. In a purely bookkeeping sense, Great Britain and the Bank of England really seemed very little worse off than in December, 1931, when the country was just beginning to pull itself together after the political crisis and the passing of the gold standard. The gains which had been made so painfully during 1932 had apparently been wiped out by a single debt payment to the United States. Great Britain could not surmount the American tariff wall to pay her debt in goods; in fact she bought five times as much from the United States as she sold to her. Unless there should be a general world recovery she could not pay much longer in gold. The British people decided to pay in December, but they also approved the principle that the payment must be made, not in the regular course, but as an amount to be credited to Great Britain in a new settlement which must be made before any other payment left the country.

While Parliament devoted a good deal of its time during December to the debt situation and to such international affairs as the Disarmament Conference and strained relations with the Soviet Union and Persia, it also found itself discussing at length housing and Scottish home rule. Housing has been a perennial and insoluble problem ever since the war. Much building has gone on with public assistance, but, as elsewhere in the world, the new houses have been beyond the reach of the low-wage class. The discussion inevitably linked housing and unemployment, but the government, in the classic dilemma between public works and economy, chose economy and hoped that private enterprise would take advantage of the act of 1930 and perhaps get rents nearer the five or six shillings a week that the lowest-paid workers can pay. The Scottish movement for home rule has been accentuated by the depression, and during the Autumn of 1932 it has purged itself of many of its purely romantic elements in favor of practical proposals for the devolution of Scottish administration from Westminster to Edinburgh. The recent debates in Parliament were in such realistic terms that the government promised to consider the situation and make legislative proposals.

Unemployment increased during November by 52,800 to reach 2,799,806 on Nov. 21. This was close to the peak of 2,813,163 in August, 1931. The increase was largely seasonal, but involved an additional 47,000 wholly unemployed. Improvement in the coal, cotton textile, chemical and

iron and steel industries promised better things and was reflected in the trade figures for November. Exports gained again to reach £35,140,000 (£36,830,000 in 1931). Imports were £61,560,000 (£83,231,000 in 1931). The trade deficit was £26,120,000 as compared with £46,401,000 a year before, and for the first eleven months was £263,169,000 instead of £369,621,000.

IRISH ELECTION CAMPAIGN

President de Valera of the Irish Free State announced on Jan. 2 that the Dail was dissolved and that a general election would be held on Jan. 24. Since March, 1932, his government had been dependent on the support of seven Labor members who held the balance of power between Fianna Fail, his party, and Cumann na nGaedheal, the party led by William Cosgrave. William Norton, the leader of the Labor group, was also the chief official of the Postoffice Workers' Union. He had been trying in vain to prevent the government from reducing civil service salaries on Jan. 1. His ultimatum that he would fight "by every means at my disposal" assured Mr. de Valera's defeat whenever the Dail should reassemble, without the privilege of ordering a dissolution. The necessity of forming a new government in the recent evenly-balanced Dail would have added confusion to the already tangled condition of Irish politics.

The precipitancy of the election summons was calculated to embarrass Mr. Cosgrave, leader of the Opposition, whose party had lost ground during the year, but had begun to threaten a recovery during December by broadening its character to admit other disgruntled elements. Senator Arthur Vincent was doing his best to win over the National Farmers' League to alliance with Mr. Cosgrave and Lord Mayor Alfred Byrne of Dublin was organizing in his support the business elements of Dublin, which **had been hard hit by the tariff war with the United Kingdom.** President de Valera acted just on the eve of the formation of a new party designed to include "all believers in peace by negotiation," thereby catching his opponents unprepared.

The government proposed to go to the country on its record. The abolition of the oath of allegiance and the discontinuance of the land annuities payments would constitute a powerful appeal to Irish nativism, which was intensified by the British reprisals. Mr. Cosgrave, on the other hand, could demonstrate the unfortunate consequences of the tariff war on public and private finance. The Irish trade deficit has increased, and the export bounties paid to assist the Irish producer to climb the British tariff wall have greatly increased the already serious budget deficit. The election, therefore, promised to be a struggle between the radical and conservative elements on all fronts—imperial, constitutional and economic. Government borrowing has postponed the effects in increased taxation of the general depression and the economic struggle with the United Kingdom, and the budget for the year has never been presented.

Unemployment in the Irish Free State has remained a serious problem, which threatened to be aggravated by a railway strike during December. After weeks of negotiation the government secured a postponement of 10 per cent wage reductions by promising to pay the railways an equal amount up to April 30. The government of Northern Ireland refused to follow suit, but the Northern railway workers secured a postponement until Jan. 23, pending a new session of the Wages-Board. The railway workers accepted the necessity of some reductions in staff to meet the great decline in railway business.

The Republican extremists continued to disturb affairs. They demanded that President de Valera dismiss a

judge who had jailed two of their members for contempt of court. They also organized a boycott of British goods by public demonstrations and even by the destruction of British products. Mr. Cosgrave's "White Army" retaliated by providing escorts for imported goods, notably consignments of British beer.

CANADIAN AFFAIRS

Wheat prices and dollar exchange have recently been the most important questions in Canada. Wheat continued to be sold and exported, but at prices which were rapidly reducing farm owners to tenants. When Canadian exchange fell, export was facilitated, but when sterling fell as well the British market became less attractive. Great interest attached to the British Treasury ruling of Dec. 21 that a test consignment of Canadian wheat through the United States was not eligible for exemption from the British tariff. The Treasury ruling was based not on the question of the identity of the wheat as Canadian but on evidence of its original Canadian consignment to a named consignee in the United Kingdom; that is, the ruling was designed to prevent diversions, but also to make sure that the advantage of preference would be reaped only by Empire traders. A Buffalo storage concern must not be able to ship some of its Canadian wheat and receive the preference. One reason for this was that the British market could not absorb the full Canadian production and much of the surplus above British requirements was likely to be marketed by the Buffalo-Albany-New York route, which has normally accommodated 40 per cent of the Canadian crop.

On the other hand, the Treasury ruling seemed likely to increase the Winter use of Vancouver, St. John and Halifax, as well as to keep up the use of the Hudson Bay and St. Lawrence ports in the open season. The Canadian Government has equalized the freight rate from Georgian Bay to St. John and Halifax with that to New York, so that Georgian Bay ports may well supersede Buffalo as wintering ports for the huge grain boats which supplement the elevators in Winter storage. Canadian railways would also profit, although on a purely economic basis it would cost less to move Western grain through New York than through Halifax.

The question of dollar exchange was aggravated by the November decline in Canadian dollars and in sterling and by the heavy obligations of Canada in New York in November and December. The Dominion Government assisted British Columbia to meet $4,000,000 of maturities and Manitoba to meet $6,000,000, but it declined to assist Western municipalities directly. Calgary, Alberta, tried to obtain such assistance and was directed to apply through the Province. The municipality decided to offer payment on Jan. 3 only in Canadian funds rather than pay $300,000 for exchange, explaining that if the Dominion Government prevented the municipality from securing gold at par and exporting it, it must take the responsibility for Calgary's failure. The Bank of Montreal offered to lend the money, but was refused, and thereupon declined to extend further credit to the city. Saskatoon, Sask., accepted the bank's offer and met its obligations in New York.

The problem was a serious one, but not insuperable. The real cause for complaint lay in the difference between the actual economic position of Canada and the interpretation of it in the New York exchange market, that is, in a North American variety of the prevailing international confidence crisis. It is estimated, for instance, that Canada's total foreign obligations during 1933 amount to $340,000,000, of which approximately $205,000,000 is payable in New York funds and the remainder in Canadian funds in London. Using 1932 as a criterion, there could be set against that obligation over $50,000,000 in

rade surplus, over $60,000,000 in do- iestic gold production and from $200,- 00,000 to $250,000,000 in tourist bal- nces. Canada not only has not de- aulted, but during 1932 refunded 80,000,000 out of $105,000,000 in Vew York maturities. The Canadian ollar ought therefore to stand very lose to gold parity, but in 1932 it anged from 83.68 to 93.82 cents and n Jan. 3 stood at 88.62.

Probably the chief difficulty arose rom having a trade deficit with the Jnited States and a trade surplus vith the United Kingdom. Canadian upplies of foreign commercial paper, which were handled chiefly in New 'ork, thus created a bearish atmos- here in Canadian exchange. Canada as in the odd position of being vitally nterested in two currencies besides er own, American for financial and ritish for commercial relations.

The trade figures for November 'ere not as good as for October. Ex- orts were $45,945,000 ($57,487,000 in 931) and imports $37,095,000 ($45,- 33,000 in 1931), with a somewhat maller trade surplus than in 1931. 'he decline in sterling and Canadian ollars and the influence of the Ot- awa agreements were reflected in the ontinued diversion of trade from the Inited States to Great Britain. For ne first time Canada imported more rom the United Kingdom than in the orresponding month of 1931 and the lasses of imports bore a striking re- ation to the Ottawa settlement. In extiles, wood products, iron products, luminum, coal and chemicals, Brit- sh products were supplanting Amer- can.

NEWFOUNDLAND'S PLIGHT

Newfoundland's at present insolu- le economic difficulties have prevent- d her from obtaining the funds nec- ssary for interest payments on her 95,000,000 debt. Since it was quite npracticable for her to borrow more r increase her indebtedness because f her inability to increase the remu- nerativess of her productive econ- omy, the British and Canadian Gov- ernments have assumed responsibility for about half of the $2,500,000 in bond interest. Experts from the Do- minions Office will attempt to arrange a debt-refunding plan. Canada's inter- est is explained by the fact that four Canadian banks and an oil company already administer a sort of receiver- ship for the island.

AUSTRALIA AND NEW ZEALAND

Great Britain extended to Australia and New Zealand the moratorium on war debts, so that they were vitally interested in the Anglo-American negotiations. To their great relief, the moratorium has been continued in spite of the British payment to the United States, presumably because both Dominions are finding it hard to acquire sufficient foreign balances to meet their obligations. The Australian pound has recently been depreciated 25 per cent and the New Zealand pound 10 per cent from the British pound. The continued debt relief al- lowed Mr. Lyons in Australia to re- mit about £2,000,000 in taxation (chiefly the land tax) and to extend over £2,000,000 in assistance to the hard-hit wheat growers.

New Zealand had voluntarily of- fered to help the United Kingdom by making the debt payment, but was re- lieved when the offer was refused. The government's resources are being devoted to relief of unemployment by reducing the size of farm holdings in order to place more families on farms.

INDIAN CONFERENCE ENDS

The last round-table conference on the new constitution for India came to a close on Dec. 24 after having covered an immense amount of busi- ness. It did so because Sir Samuel Hoare's method was to present the government's proposals separately in very concrete form, to allow a short debate, to constitute a subcommittee and then to have it report back with a settlement. This procedure was

summary, but it reflected the belief that no settlement would satisfy everyone. It was hoped to draft a bill for submission to Parliament for discussion in March, to consign it to a joint parliamentary committee in the light of British and Indian representations in July, and to introduce the final legislation in October.

Sir Samuel Hoare refused to commit the government to a date for initiating the federal government, although it was believed that the new provincial governments might begin to function in 1934. A late proviso that an Indian reserve bank must be created as part of the safeguards for finance seemed to postpone the new central government for as much as five years. The British Government was very crisp in its insistence on safeguards which Hindu opinion in particular felt were so vague and loose as to threaten engulfing Indian responsibility at the centre. These safeguards took the form of the Governor-General's reserved powers in such matters as defense, foreign affairs, threats to internal peace and tranquillity, minorities, States' rights, credit and currency and commercial discrimination, and their scope was sufficient to justify Hindu fears. The question of the taxing powers of central and provincial governments and the allocation of income between them proved very difficult because of the present depression and the diametrically opposed views of many of the Princes and of the representatives of British India.

At the close of the conference Sir Tej Bahadur Sapru made an eloquent appeal for the liberation of Gandhi and the non-violent political prisoners, to which Sir Samuel Hoare replied so sympathetically that a New Year amnesty was freely predicted. But it did not materialize because, so it was reported, the Indian Government was opposed to it.

Gandhi kept up a curiously inconsistent struggle with the caste Hindus during December over the right of access for Untouchables to the temple of Guruvayoor in South India. Sometimes he threatened fasts and sometimes suggested a referendum of the caste Hindus of the district. At first he said he would fast no matter how the referendum went, but he ended by offering to accept the result. The summary of the census of 1931, which has just been published, showed 40,254,000 of "exterior castes" out of 177,728,000 Hindus in the provinces.

The same summary showed a rise in the proportion of Moslems (222 per 1,000) to Hindus (682 per 1,000) which would be greatly accentuated by the separation of Burma from India. Now that the Moslems seem to have formed a congenial alliance with the English Conservatives, negotiations among Hindus, Sikhs and Moslems for an agreement on electoral distribution have become quite hopeless. A conference was called at Allahabad for Dec. 13, but disagreements in the constituent committee forced three successive postponements and it met only to hear the presidential address and dissolve on Dec. 16.

India ratified the principle of the Ottawa agreement on Dec. 6 and passed the embodying legislation on Dec. 15 by 74 to 27.

The new Burmese Legislature has been in a great quandary since its election. The alternatives then were separation from India or entry into the new federation. The success of the anti-separationists surprised them and led to two new proposals: separation from India but non-acceptance of the new Burmese constitution, and entry into the Indian federation with power to secede at any time. The Legislative Council was in great confusion while resolutions embodying the various proposals were debated. Finally, Sir Oscar De Glanville was elected president over several Burmese rivals and it was felt that separation with some modification of the new constitution would result.

Premier Herriot's Resignation

By OTHON G. GUERLAC
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THE Herriot Cabinet, which resigned on Dec. 14 after an adverse vote of 402 to 187 in the Chamber of Deputies on the question of the payment of the debt to the United States, was four days later replaced by a Cabinet presided over by Senator Joseph Paul-Boncour.

Herriot's defeat was not a personal one. In fact, rarely has a Premier fallen from power in circumstances more honorable to himself and in the midst of such acclaim from his friends and respect and even admiration from his opponents. But the task he had undertaken was beyond the power of any government. As *Le Temps* expressed it, "a tidal wave starting in the depths of French democracy submerged everything," and no amount of argument or eloquence could stem it.

The notion already widely entertained in France, that the debts owing to the United States should be considered as America's contribution to a common cause, became a fixed dogma after the Hoover moratorium of 1931 and the Lausanne conference of June, 1932, at which France abandoned almost all German reparations. Rightly or wrongly, an overwhelming majority of the people felt that these sacrifices, which had been made at the suggestion or under the moral pressure of the American administration, called for a corresponding sacrifice from America. Therefore when the Washington notes refused the requests for the postponement and reconsideration of the debt, almost all the newspapers, various associations of veterans and an organization of young royalists, always ready for street brawls with the police, combined to inflame public opinion and brought pressure to bear on a Chamber ever responsive to such outside influences.

The question of the payment of the $19,261,432 instalment due on Dec. 15 came up in the Chamber on Dec. 12. M. Herriot opened the debate by an address lasting two and a half hours. He presented the whole question with matchless clarity and force. The Chamber listened eagerly to the first part of the speech in which he recited the French side of the controversy and approved of his analysis of the conditions under which the recent negotiations had been carried on. But when he finally examined the different solutions that were proposed and attempted to justify the government's choice of the payment with reservations in order to honor France's signature he encountered the resistance of the Right, the Centre and the extreme Left. Obviously the largest portion of the House remained untouched by either his logic or his eloquence.

The debate that followed Herriot's presentation was extremely tense and at times dramatic. The party against payment was represented by Louis Marin, the leader of the Nationalists, who claimed that the Hoover moratorium, by suspending the operation of the Young plan, had released France from the obligations she had contracted. M. Pernot, representing a minor group, argued that the principle of civil law which absolves a debtor from fulfilling his obligation when his creditor has rendered this fulfillment impossible applied also in international relations.

The governmental thesis found

some eloquent and skillful support outside the Radical-Socialists, especially in the stirring speech of M. Forgeot, representative of Marne, one of the favorite orators of the Chamber, who tried to revive feelings of gratitude for America's past services, and in the address of M. Pietri, a former Minister in the Laval and Tardieu Ministries, who said that "anger is not a good argument in international disputes" and that reason should have precedence even over right.

At first it had seemed that Herriot might, with his disciplined majority and the cooperation of the Socialists, triumph over the stubborn resistance of the remaining part of the Chamber. But when the two commissions of finances and foreign affairs, having taken cognizance of the reply that Secretary Stimson addressed on Dec. 11 to the British note refusing to entertain any reservations, reversed their first decision and presented a motion asking that payment be deferred; when, especially, Vincent Auriol, the financial expert of the Socialists, mounted the tribune to express the regret of his party at abandoning the Premier in a fight in which he had shown such courage and stated that the whole question should be referred for arbitration to the permanent international commission, provided for by the convention of 1928, it was obvious that the fate of the Cabinet was sealed.

The majority of the Deputies, either because of their deep-set conviction that they were right, or because they were cowed by popular clamor, which had been raging outside the Palais-Bourbon throughout the whole sitting, rejected the motion of M. Chauvin endorsing the government's policy. The hostile coalition was made up of Republicans of the Centre and members of the Right on the one hand, and, on the other, of the 127 out of the 128 Socialists, the ten Communists and even ten members of Herriot's own party. The government had on its side 137 Radical-Socialists and some fifty members from the groups of the Left.

After this vote, which was followed by the withdrawal of the Ministers, the motions of the two commissions of finance and foreign affairs setting forth at length the reasons for the Chamber's action and calling for "deferment of the payment" was voted by 357 to 37. This was intended, M. Marin said, "to make the intentions of the Chamber known abroad."

President Lebrun, after consulting, according to custom, the presiding officers of the two houses and the leaders of the various parties, was soon convinced that no government could be chosen out of the heterogeneous Marin-Blum majority that had upset the Herriot Cabinet. In fact, the vote was in no sense a disavowal of Herriot, who personally had come out of the debate with enhanced prestige. Now that the Chamber had publicly registered its opinion for outside effect, many thought it would be possible for him to resume the direction of French policies. But President Lebrun, on adopting this suggestion, found Herriot absolutely obdurate in his refusal not only of the Premiership but of participation in any Cabinet that might be formed.

The President then turned to M. Chautemps, Minister of the Interior and devoted friend of Herriot. Chautemps, who is appreciated in the Chamber for his keen mind, his courteous manner and polished speech, though not enthusiastic, undertook the task of forming a Cabinet, in the hope that he would overcome his former chief's refusal to serve again. It required only twenty-four hours to show him that his hopes were vain and he gave up the task.

President Lebrun then appealed to Senator Paul-Boncour who, on Dec. 16 accepted the mission, and two days later succeeded in forming his Cabinet, the ninety-first of the Third Republic, composed of seventeen Ministers and twelve Under-Secretaries.

This is the first time that Paul-Boncour occupies the Premiership al-

though he has often been spoken of as one of the most promising men in French political life. A brilliant lawyer, he has been engaged in many notable cases, including some before the World Court. As an orator he has few equals either at the bar or in Parliament. He entered public life under the auspices of Waldeck-Rousseau in whose office he began his legal career, was assistant to Viviani at the Ministry of Labor in 1906, and became himself Minister of Labor in 1911. For several years after the war he was unable to participate in the government because in 1919 he joined the Socialist party, whose rules forbid such participation. When he had first entered Parliament in 1909 as Deputy of Blois he was classified as a Republican Socialist, an unorthodox variety of socialism unrecognized by the Marxists. In 1924 he became the representative of the electoral district of Jaurès in the department of Tarn. While Socialist party rules prevented his being a Minister, he was able to play an important part at the League of Nations, where he has represented France since 1924. In September, 1931, he was elected by his native department of Loir-et-Cher to the Senate. When he thus abandoned his constituency of Tarn, he also resigned from the Socialist party. He thus became free to accept Ministerial office, and when Herriot formed his third Ministry in June, 1932, he confided to Paul-Boncour the portfolio of war for which he was qualified not so much by his brilliant war record as by the active part he has taken at Geneva in all discussions and plans for disarmament and the organization of peace.

The incoming Premier was at first credited with the remark that he intended to do "something new," but to the press he said that "this Ministry is a continuation of the Herriot Ministry." The list of members indeed reads like that of the preceding Cabinet except for the absence of Herriot, Germain-Martin, René Renoult and others, and the shifting of a 1 members from one portfolio to : other. Thus Paul-Boncour hims passes from War to Foreign Affa and Daladier from Public Works the Ministry of War. The most str ing change is Senator Henry Chéro resumption of the portfolio of fina: which he occupied in the Poinca Briand and Tardieu Ministries of 1! and 1930. He is remembered as watchdog of the Treasury who s ceeded in accumulating a reserve 19,000,000,000 francs ($761,000,0(and whose cautious policies were tl jeered at as those of a shortsigh and timid French bourgeois. It feared that his economy measu may not satisfy the Socialist party

Curiously enough, except for 1 Senators in the Cabinet, who were 1 given an opportunity to express the selves, all the members of the Cabi voted with the outgoing Cabinet the question of the debts.

The new Cabinet consists of 1 following:

JOSEPH PAUL-BONCOUR, president of Council of Ministers and Minister Foreign Affairs.
ABEL GARDEY—Justice.
CAMILLE CHAUTEMPS—Interior.
EDOUARD DALADIER—War.
GEORGES LEYGUES—Marine.
PAUL PAINLEVE—Air.
HENRY CHERON—Finance and Budget.
ANATOLE DE MONZIE—Education.
HENRI QUEUILLE—Agriculture.
ALBERT SARRAUT—Colonies.
ALBERT DALIMIER—Labor.
LEON MEYER—Merchant Marine.
LAURENT EYNAC—Posts and Telegraphs
JULIEN DURAND—Commerce.
ADRIEN MIELLET—Pensions.
GEORGES BONNET—Public Works.
CHARLES DANIELOU—Health.

The Under Secretaries are:

EUGENE FROT—Council Presidency.
PIERRE COT—Foreign Affairs.
RAYMOND PATENOTRE—Education.
ALEXANDRE ISRAEL—Interior.
PAUL BERNIER—Air.
HIPPOLYTE DUCOS—Technical Education
PHILIPPE MARCOMBES—Physical Educati
JEAN MISTLER—Beaux-Arts.
GRATIE CANDAGE—Colonies.
GUY LA CHAMBRE—War.
ALEXIS JAUBERT—Agriculture.
FRANCOIS DE TESSAN—Labor.

The new Ministry which met 1 Chamber on Dec. 22 obtained a v

of confidence of 379 to 166, in spite of the attacks of Louis Marin, who expressed his mistrust of the new Under-Secretary of Foreign Affairs, M. Pierre Cot, a very able young law professor and lawyer whose ideas on disarmament and on the revision of the Treaty of Versailles have often frightened even his own Radical-Socialist friends. The Socialists, however, gave their former associate Paul-Boncour, who has not lost their esteem, a promise of benevolent neutrality rather than a promise of support. The ministerial declaration read by the Premier stated the willingness of the government to bring the American and French viewpoints nearer together, and the Cabinet's foreign policies were expressed in the following well-balanced periods in which all nations with which France has had intercouse recently are paid proper respect:

"Only too happy to avail ourselves of any possibility of making our viewpoints coincide, we will conduct the negotiations with the firm purpose of preparing for a solution of the whole problem, so as to put an end to the handicaps to general economic recovery that result from intergovernmental debts.

"At the same time, and in entire accord with the States to which France is united by bonds of common aspirations [France's allies], and without thought of opposition to any third parties whatever [Germany], strong in the knowledge of effective friendship with across-the-Channel neighbors [England], proof of which friendship we recently received, and desirous of settling all difficulties which may exist between us and the countries to which we are bound by cultural ties and recent memories [Italy], we shall endeavor to succeed in concluding other international negotiations."

The Premier announced his intention of continuing the work of his predecessor at Geneva where he "rescued the disarmament conference from uncertainties and delays."

M. Chéron on re-entering the Ministry of Finance was met with some perplexing problems. He announced to the Chamber on Dec. 23 that he found in the Treasury only 212,000,000 francs ($8,268,000) as compared with the sum he left there in 1930. He therefore asked first the Finance Commission and later the Chamber for the permission to issue bonds for 5,000,000,000 francs (about $198,000,000) to tide him over the period during which the budget must be voted. For the future he declared his intention of presenting a really balanced budget, which he considered less a technical than a political problem, and pledged himself to drop all useless public servants, to cease appointing new ones and to pursue tax dodgers with the utmost severity. The Chamber gave him its confidence by a vote of 348 to 235.

Speaking on Dec. 29 before 2,000 members of the Radical-Socialist Federation of the Seine, M. Herriot reviewed his past record. He explained his reason for staking and losing his Premiership on the principle of debt payment, by the fear that the American people would think France ungrateful for the considerable effort accomplished by the United States during the latter part of the war. "As much from gratitude as to preserve respect for my country, I wished that the signature given by a government preceding mine should be honored."

A majority of the Senate on Dec. 27 refused to vote suspension of the Parliamentary immunity of the three Senators, Schrameck, Jourdain and Viellard, whose names were mentioned in connection with the income-tax scandal.

FRENCH LOAN TO AUSTRIA

Before the French Parliament rose for its New Year recess both the Chamber and the Senate had to pass

on the bill authorizing the Treasury to guarantee a loan of 350,000,000 francs ($13,700,000) to Austria to rescue the former enemy country from a serious financial plight. This was not passed without serious resistance. Louis Marin said that it was "monstrous" that France should, on the morrow of her refusal to pay America, guarantee a loan intended merely to help foreign banks to draw their frozen credits out of Austria. Pierre Etienne Flandin likewise declared that the loan was really for the reconstruction of the bankrupt Creditanstalt. Nevertheless, the measure was passed in the House by 352 to 188 and in the Senate by 144 against 68, about 100 Senators abstaining. It received the support of M. Herriot, who, resuming his post as leader of his party, said that the refusal to aid Austria would spell the failure of the system of financial assistance organized by the League of Nations.

BELGIAN CABINET CHANGES

The Belgian Cabinet presided over by Count de Broqueville resigned on Dec. 13 after voting to refuse the debt instalment of $2,125,000 due to the United States. The refusal was explained on the ground that payment was impossible under Belgium's present financial conditions. The vote was unanimous after M. Theunis, who had negotiated the debt agreement in 1925, had explained the situation to his colleagues of the Ministry. The resignation of the Cabinet, however, had no connection with the debt problem. It was considered as the normal sequel to the elections of November called for by the Cabinet after the dissolution of Parliament.

In view of the composition of the new Chamber in which the Catholic party counts 80 members instead of 76 in the preceding house, the Socialists 73 instead of 70, the Liberals 24 instead of 28 and the Flemish Frontists 8 instead of 12, it seemed advisable to reconsider the composition of the Cabinet. Four combinations could be considered, comprising the various possible coalitions: Catholic-Socialist, Liberal-Socialist, the tri-partite Catholic-Socialist-Liberal combination, and finally, the Catholic-Liberal alliance which has been operating for the last few years. After the refusal of the Socialists to share in the responsibilities of government the first three formations were out of the question and it was decided, not without protracted negotiations, to try again the Catholic-Liberal combination. That is the one that Count de Broqueville presented on Dec. 17. The new Ministry is composed of seven Catholics and five Liberals. Three members of the previous Cabinet left it, Georges Theunis, Boesse and Heyman being replaced by Devèze, Carton de Wiart and van Isacker, the first a Liberal and the two others Catholics.

The new Ministry like the preceding one contains the principal chiefs of both parties except M. van Cauwelaert. M. Hymans remains at the Foreign Office. Such as it is this combination seems sufficient to cope with the serious economic and financial problems that confront Belgium at the present time. It would, however, run the risk of a break-up if any of the contentious political questions were raised. M. Devèze consented to enter the Cabinet only for the period of national emergency. At the first encounter with the Chamber on Dec. 23 the new Ministry won a vote of confidence by 100 to 80.

The plan of the government for balancing the 1933 budget called for a saving of more than $12,000,000 through reducing officials' salaries and military and old-age pensions. In addition it will be necessary to have recourse to increased taxation. Inheritance taxes will be raised and a special tax also is proposed for holders of import licenses who realize exceptional profits. It is estimated that the plan will provide a margin of 200,000,000 Belgian francs over the existing budgetary deficit of 1,800,000,000 francs.

Von Schleicher as German Chancellor

By SIDNEY B. FAY

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THE appointment of General Kurt von Schleicher as German Chancellor on Dec. 2 relaxed the tension of the prolonged Cabinet crisis caused by von Papen's resignation. The tolerant attitude of the greater part of the German press toward the new Chancellor helped to create a beginning for something like optimism after the last two years of economic and parliamentary desperation. This more hopeful attitude, reflected in the sharp rise of German foreign bonds and a temporary truce in party conflicts, is no doubt partly induced by von Schleicher's extraordinary political ability and his combination of firmness of decision with a surprising breadth of interest and gentle persuasiveness of manner.

Attached to the General Staff during the war, von Schleicher first emerged as a figure of political importance in the late Fall of 1918, when the new Socialist Provisional Government was threatened by Communist uprisings and disorders. Young Major von Schleicher insisted firmly on the absolute necessity of organizing an efficient military force, independent of politics, which could prevent the country from falling into bolshevism and anarchy. He helped to build up the new Reichswehr as a reliable, effective and non-partisan force at the disposal of the federal government, and finally became its head as Minister of Defense.

General von Schleicher is likely to go down in history as even more of a statesman than soldier. His knowledge of economic, social and political affairs is as extraordinary as his grasp of military matters. He has the reputation of never tackling anything without careful preparation. He would rather convince people than force them, but once he has set his mind on a plan he will carry it out. During the years of his activity in the Reichswehr Ministry he built up a staff of collaborators who were devoted to him. Many of them are today in high positions outside the Reichswehr Ministry. He listens to their advice, but his final decision is loyally accepted by them. That has been the situation for several years, and it is one of the reasons for his astonishingly powerful position after the fall of the Bruening and von Papen Cabinets. [For further details of General von Schleicher's career, see CURRENT HISTORY, October, 1932, pages 20-24.]

On Dec. 4 General von Schleicher donned civilian clothes, formally moved into the Chancellery, and within forty-eight hours after his own appointment announced his new Cabinet. With the exception of Dr. Bracht, Dr. Syrup and Dr. Gereke, the Cabinet was recruited from members who held office and gained experience under the similar "Presidential Cabinet" of von Papen.

In addition to becoming Chancellor and "continuing to conduct the affairs of the Reichswehr Ministry until further notice"—a phrase chosen by President von Hindenburg to emphasize his conviction that the army must remain free from political influences—von Schleicher was also appointed Federal Commissioner for Prussia, as Colonel von Papen had been. Thus he has under his own control both the

Prussian police and the Federal Army.

An interesting addition to the Cabinet is the Commissioner for the Promotion of Employment, Dr. Guenther Gereke, who is directly under the Chancellor. He is the author of the Gereke plan, a widely discussed project for remedying unemployment by land-settlement and agricultural relief. He is also the only man connected with the Cabinet who has served in the Reichstag.

Fundamentally the new Cabinet accepted as its program the carrying out of the von Papen policies, the only difference being that it hoped to establish more amicable relations with the Reichstag by making some concessions to the trade unions, by dropping for the present the question of constitutional reforms and by adopting a conciliatory attitude toward the various Parliamentary groups.

General von Schleicher's skill as a politician was seen in his successful dealing with the Reichstag when it met on Dec. 6. Instead of coming before it with a threat of dissolution if it tried to pass a no-confidence motion, he sought to win its support for a political truce over the Christmas holidays, which would give him a month's freedom of action in developing his program. He thereby succeeded in disarming the active opposition of most of the parties except the National Socialists and the Communists.

The Reichstag session was opened by a violent speech from the 82-year-old Nazi, General Litzmann. His election had been secured by the National Socialists, so that the privilege of making the opening speech, which goes to the oldest member, should be made by one of their own party, instead of their having to listen, as in the previous session, to the 75-year-old Communist member, Clara Zetkin. General Litzmann's characteristic Nazi theme was that "millions of Germans revere Hitler as the outstanding German of his day, and as the man who after fourteen years of study alone knows how Germany can be saved." He then launched into an attack on President von Hindenburg, declaring that he owed his Marshal's baton to General Litzmann's own troops in the battle of Lodz.

The Communists and some other groups strenuously demanded that the new Chancellor expound his program before the Reichstag took its Christmas recess, but their motions were voted down.

One positive piece of legislation, however, was adopted in the three-day session. The National Socialists introduced a bill to amend Article 51 of the Federal Constitution, which provides that if the President of the Reich is temporarily disabled, his duties shall be taken over by the Chancellor. In view of President von Hindenburg's age this is a matter for serious consideration. The Nazi amendment, which was adopted, stipulates that in case of the President's disability his duties shall be taken over, not by the Chancellor, but by the President of the Supreme Court. Incidentally it helps to place a further obstacle in the way of any possible attempt to bring back, directly or indirectly, any member of the Hohenzollern family. Whether the National Socialists would have championed such an amendment if Hitler had been appointed Chancellor may be seriously doubted. In fact, it was discreetly hinted in competent quarters that a chief reason why President von Hindenburg twice declined to appoint the Nazi leader to the Chancellorship was this very constitutional provision which has now been amended in favor of the Chief Justice of the Supreme Court.

After a three-day session, marked by considerable physical violence between the National Socialists and Communists, the Reichstag voted to adjourn over the Christmas holidays. As it neither insisted that von Schleicher submit his program, nor tried to pass a no-confidence motion, its action almost amounted to a kind of negative

vote of confidence. The new Chancellor, on informing President von Hindenburg of the adjournment, is reported to have said: "Victory all along the line." It is noteworthy that this was the first time since 1920 that a new Cabinet has been spared the ordeal of being haled before the Reichstag before it was allowed to proceed with its program. After the experiences of Bruening and von Papen it seemed like a Parliamentary miracle, but the secret lay partly in von Schleicher's conciliatory attitude toward the Parliamentary leaders, and partly in the inability of the parties to cooperate effectively because of their hostility toward one another.

Over a nation-wide hookup on Dec. 15 the Chancellor, talking for almost an hour, outlined the program of his Cabinet. He said that he asked to be regarded, not as a soldier, but as the impartial trustee of the interests of all in an emergency, which he hoped would be short-lived. "Bayonets are not easy to sit on, and one could not govern long without a broad popular sentiment behind one. I should be satisfied if the Reichstag, while remaining provisionally mistrustful, would give the government opportunity to carry through their program without interruption and the familiar Parliamentary methods."

"My program," he continued, "consists of one single point: the creation of work. All the measures that the government will carry out in the coming months will more or less serve this one purpose. Recent journeys throughout the country have convinced me that Germans of all classes are dominated by only one thought: 'Give us work; we are not interested in constitutional changes and other such petty things which fill no stomachs.'" He added that he was neither a capitalist nor a Socialist; that he could not be bothered by economic doctrines, and that in order to fight unemployment he would not mind adopting promising measures, even though they might not be in line with orthodox economic reasoning. He promised, however, that there would be no inflation, and the cooperation of the Reichsbank president, Dr. Luther, guaranteed this. Nor would there be new taxes or further cuts in salaries.

One of his principal measures for decreasing unemployment, he said, was Dr. Gereke's project for land settlement. As Minister of Defense, he himself attached special importance to the colonization of the Eastern provinces, since men living on their own acres are the best bulwark against the pressure of an alien stock. Therefore the 1933 budget would include 50,000,000 marks for settlement, and the Reichsbank would cooperate in advancing a further 50,000,000 marks (or a total of $23,800,000). Land to the extent of 1,300,000 acres would be made available in the thinly populated Eastern frontier districts "for inner colonization like that of Frederick the Great."

The success of this program, he continued, presupposed healthy agriculture. Unfortunately, a statesman was confronted by all sorts of economic doctrines, with the result that the Minister of Agriculture believed in economic self-sufficiency and agrarian tariffs, while the Minister of Economy was a free-trader. He confirmed what had heretofore been regarded only as a legend, the story that he recently locked both Ministers into a room and told them to come to an agreement by midnight; and they did. As a result of this agreement, the Chancellor said, the government would try to maintain the present high level of agrarian production and, therefore, would use tariffs to support the prices of such important agricultural products as milk, vegetables and wood, and at the same time would try to expand industrial production by promoting the domestic market but without neglecting foreign markets. For all these measures he begged cheerful cooperation on the part of all classes.

Continuing, the Chancellor said that there was no better school for youth to learn the meaning of self-discipline, modesty and comradeship than conscription. That was why he came out again and again for compulsory service in the framework of a militia. As long as the Versailles Treaty made this impossible, other means had had to be found. To start with, the individual associations had taken a hand. Then the State had assisted; the Reich Board for the Physical Training of Youth, the voluntary labor corps and subsidized sports were the fruits of these efforts.

Conscription led the Chancellor to the subject of disarmament. He had been reproached, he said, with marching in with clumsy military boots and smashing much diplomatic crockery. He had also been reproached for talking of rearmament. But the clumsy method had consisted simply and solely in the fact that he had told the truth quite frankly, because he still considered that the best way to reach an understanding. "We are prepared to arm ourselves with knives and cardboard shields if our neighbors do the same. But that does not sound exactly like rearmament." He had also declared that the German people was not disposed unhesitatingly to let its throat be cut—that is to say, that its armed forces must be guaranteed the same security as everybody else's. He felt that the Five-Power Geneva Agreement had been a big step forward and expressed the belief that if the League of Nations really succeeds in transforming the idea of a general disarmament into fact, it will have a new foundation for its activities in other spheres.

In conclusion, the Chancellor pledged the abolition of a number of emergency decrees, such as those restricting the press, inflicting extraordinary penalties for political rioting, and so forth, because he believed the country had become peaceful again. But he warned the Communists that he would not hesitate to take the most drastic emergency measures against them if they abused their new freedom to increase demagogic activities.

On the whole, with the exception of the National Socialists, the Chancellor's speech was favorably received by the German press and contributed to the more optimistic feeling with which the year closed in Germany.

A LOAN TO AUSTRIA

France was severely criticized by many of her own leaders in voting a loan to Austria after failing to meet her debt obligation to the United States on Dec. 15. But the French action, together with that of other powers, did assure to Austria the realization of her hope for a loan of $45,-000,000, for which the preliminary arrangements were made at Lausanne last June. France's reasons for making the loan were political—to prevent the Austro-German Anschluss at least until 1953, for this is one of the conditions of the loan. For the same political reason the loan has been bitterly criticised by pan-Germans in Austria and by some of the press in Germany.

NEW SWISS PRESIDENT

Federal Councilor Edmond Schulthess, President of the Swiss Republic in 1917, 1921 and 1928, has been elected for a fourth time as President during the year 1933. President Motta, his predecessor, also enjoyed four terms. Thus the Swiss people show their conservatism, and their confidence in political leaders who have served them well. President Schulthess rose in politics rapidly. When he was 25 years old he was entrusted with political office in his native canton of Aargau. In 1905 he was chosen to represent his canton in the Federal Assembly, and in 1912 was elected to the Federal Council. Here he assumed the direction of the Department of Industry, Agriculture and Commerce, and during the war distinguished himself as Food Administrator.

Italy Turns to Economic Planning

By WILLIAM E. LINGELBACH
Professor of European History, University of Pennsylvania; Current History Associate

ITALY has become conscious of the economic evils arising out of haphazard and uncontrolled production, and during the past month the Ministry of Corporations, under Mussolini's presidency, has, with characteristic energy, attacked the problem. Through a special commission of the Ministry the Duce is preparing a comprehensive plan for the regulation of industrial output, especially of certain "exuberant branches of industry." Under a law presented by him to the Deputies and adopted by that body, no "industrial plant may be built or enlarged without the consent of the government. Without interfering with that initiative and expansive spirit so essential in times of prosperity * * * those irregular industrial expansions that are dictated by bankers' rather than by manufacturers' standards cannot be permitted." Details of the new law, which is to be submitted in the Spring, are being worked out by the commission.

In the meantime an extensive program of public works, at a cost of $130,000,000, was inaugurated early in December. More than 250,000 of Italy's 1,038,000 unemployed were thus to be given work during the Winter. The program involves the electrification of the trunk-line railroads and construction of roads, bridges, public buildings, aqueducts, harbor improvements and so on. For those who remain unemployed, Fascist relief work is effectively organized through the thousands of local Fascist clubs. By order of the Pope, the churches will also cooperate.

Gratifying too is the report on the "Battle of the Wheat." On Dec. 4 farmers from every province gathered in Rome in the great agricultural exposition hall to receive from Mussolini's own hands the reward for their increased production. The yield for the year 1932 came within 8 per cent of the nation's normal consumption of 300,000,000 bushels. The campaign was inaugurated ten years ago by Mussolini's newspaper, *Il Popolo d'Italia*. In 1925 the Duce himself took command. This year he proudly announced that the average yield of wheat in Italy was now 21.5 bushels per acre, as against 15.2 before the war. Incidentally, the propaganda for improved wheat farming has carried with it many improvements in Italian agriculture generally. Agricultural experts and special schools have been educating the farmers in the advantages of good seed, the use of fertilizers, scientific breeding, drainage, building of silos, cooperative buying and marketing and opportunities of short-term financing for both the tenant farmers and the big proprietors.

Nevertheless the depression continues, the Ministry of Finance anticipating a deficit of about $163,000,000 for the next fiscal year. This is more than double the amount of the deficit for the current year. The items showing the largest increase on the debit side are the railways (extra expenditures), interest charges on the public debt, land-reclamation works and credits to agriculturists. In the circumstances Italy's prompt payment of $1,250,000 to the United States on the war debt must be interpreted as being based on political rather than financial considerations.

In the face of this, Mussolini's order on Dec. 2 for the construction of two light cruisers and two destroyers has caused a good deal of unfavorable comment. Their construction, however, is only a part of the 1931-32 program, temporarily suspended when Dino Grandi made his proposals at the Geneva Disarmament Conference for a year's holiday in naval construction. Furthermore, the spokesmen for the government point out that the new vessels will only replace tonnage that is now obsolete. Early in the month the annual military census was made, in accordance with the Fascist policy not only to keep the country prepared but to keep constantly before the nation ideals of patriotism and sense of military obligations.

Mussolini on Dec. 18 issued a decree announcing what is the equivalent to civil service examinations for 6,000 administrative positions in the government. The candidates must be young men belonging to the Fascist party. They will replace older officials about to be retired and pensioned and incidentally strengthen the Fascist hold on the State.

MUSSOLINI'S RISE TO POWER

To the Editor of Current History:

Describing in CURRENT HISTORY for October, 1932, the negotiations which took place between Mussolini and Salandra on Oct. 28, 1922, for seats in the Cabinet which Salandra was trying to form, I asserted that these negotiations were cut short when Aldo Finzi, a friend of Mussolini, took the telephone receiver from Mussolini's hand and declared to Salandra "that he must make way for Mussolini."

In a cable from Rome on Oct. 25, 1932, Signor Finzi categorically denied having played such a rôle in Mussolini's rise to power. My version is based on the following testimony, signed by G. Schiff-Giorgini, and dated Paris, June 10, 1927:

> In the afternoon of Oct. 28, 1922, toward 7 P. M., the King, after having refused to sign during the morning of the same day the decree placing the country in a state of siege, thought to be able to solve the crisis by asking Signor Salandra to form a new Ministry.
>
> Signor De Vecchi telephoned from Rome to Mussolini, offering to him and to his friends four portfolios, on condition, however, that these portfolios should be neither the Presidency of the Council, the Ministry of Foreign Affairs or the Ministry of the Interior.
>
> Mussolini was in the editorial offices of the *Popolo d'Italia,* in the telephone room. In the adjoining room were Signor Finzi and Signor Schiff-Giorgini.
>
> Mussolini started to discuss, over the phone with De Vecchi, the number and kind of portfolios offered to him and it was evident that he was ready, in principle, to participate in the Salandra Ministry. At this moment, Signor Finzi rushed upon Mussolini and, wrenching the receiver from his hands, shouted: "The Black Shirts will march on the capital; blood has already been shed; no agreement is possible; there is but one solution possible — the Mussolini Ministry!" After this he cut off the conversation.
>
> Mussolini meditated for a moment and, addressing himself to Signor Finzi, said: "You are right."

If one has to choose between Signor Schiff-Giorgini's testimony and Signor Finzi's contradiction, the reader will ask who of the two men should be believed. The answer can be easily found, if one considers that (1) during the preliminary inquiry into the Matteotti murder, Finzi, in his testimony of July 4, 1924, denied writing a certain statement of which he in later testimony, on Nov. 15, 1924, had to admit he was the author (see my *Fascist Dictatorship in Italy,* pages 303-305); and that (2) Signor Finzi lives in Italy under the control of the Fascist dictatorship.

GAETANO SALVEMINI.

New Haven, Conn.

SPAIN'S NEW REGIME

The newly elected Catalan Cortes met on Dec. 6 in the beautiful Captain-Generalcy, which is to be its regular meeting place. It is the first Catalan Parliament since 1705, about the time Philip V captured Barcelona and abolished the privileges and local institutions of the State. Of the

eighty-five members of the Cortes sixty-seven belong to Colonel Macia's Esquerra party, seventeen to the Lliga Regionalista, led by the rich banker and land owner, Señor Cambo. The two Communist parties failed completely in the elections, getting less than 8,000 votes altogether. Joan Lluhi, a young man of 35, has been chosen Premier, and the Parliament will doubtless make Colonel Macia the first regular President of the Catalan republic. A picturesque figure, the white-haired provisional President has fought for Catalan liberties for twenty-seven years, suffering exile and many hardships. The program of the government as outlined in the party platform is to build up Catalan institutions, cooperate with the central government at Madrid and, when fully established, seek a further extension of Catalan rights.

In the meantime, the Spanish Cortes is transforming the nation's institutions and slowly building up a new social and economic order. Already the power of the church has been destroyed, the aristocracy and the great land owners ruined, and the army, that former bulwark of royalty, broken. In the short period of twenty months old Spain has been largely made over. The great estates of many of Spain's grandees have been confiscated; according to a national survey which has just been completed for half of the country, 1,709,370 acres, valued at approximately $40,000,000 have been taken over by the State. The estimate for the remaining half points to an even larger confiscation, which means that the republic now has in its possession for distribution more than 3,000,000 acres of the best lands of Spain. While the law provides for an indemnity to the former owners, confiscation for reasons of disloyalty to the republic obviates the necessity. Besides, under the plea of urgency, where a labor crisis exists, the land may be taken over "discretionally" and payment, even for cattle and machinery be deferred.

Lay schools are replacing church schools; 7,000 new government schools have been added to the 37,716 which existed at the time of the fall of the monarchy. According to the Minister of Education, 27,000 more are to be erected to combat the prevailing illiteracy. The salaries of 59 per cent of the teachers have been raised, and a loan of 400,000,000 pesetas [at par the peseta is worth 19.3 cents] has been floated by the national government, the municipalities on their part promising to raise 200,000,000 also. On the other hand, the suppression of church schools and of teaching by religious orders is being ruthlessly carried out. On Dec. 23 the recommendations of the Parliamentary Budget Committee concerning the support of the clergy were radically amended so as to take away all government support from the priests after Nov. 11, 1933. The measure will deprive more than 40,000 parish priests, whose other sources of income are very meager, of the small government subsidies. The army has been remodeled, equipped with up-to-date weapons and officered by young republicans. The administration, too, has been completely reorganized and thousands of young people drawn into the service. Despite strong opposition, Premier Azaña—under pressure from the Left—has consistently rejected all offers of compromise and continues to move steadily in the direction of a dictatorship dominated by the Socialists.

Powerful government newspapers like *El Sol, La Vox* and *Luz* are spreading Socialist and republican ideas among the masses. Not content with this, they are carrying on a bitter campaign of denunciation against all opposition papers and even the foreign press is not immune. During December the London *Times* was made the object of a violent attack because of certain articles by its correspondents

favorable to the old régime and for its support of a measure for the creation of a tribunal of constitutional guarantees. The government's abuse of its power in suspending opposition newspapers has been the subject of much criticism. Among the 100 or more newspapers suspended after the abortive uprising of the monarchists early in August was *ABC*. In its first issue, after 111 days of suspension, it protested against the arbitrary action of the government, pointing out that it had cost the owners nearly $20,000.

Economic problems continued to occupy attention. Strikes and labor disturbances fomented by the Communists late in November and early in December were kept well in hand. About the middle of December a railway strike was threatened because the companies refused to increase wages as demanded by the Socialist General Union of Workers. The Minister of Public Works, Señor Prieto, himself a Socialist, held out firmly against the demands of the union, declaring that, while respecting the right to strike, he was also responsible for the maintenance of communications and would have to see to it that service was maintained.

On the financial side the republic is entering troubled waters. Expenses for 1931 exceeded revenues by 600,000,000 pesetas, while revenues for the first nine months of 1932 have fallen off 250,000,000 pesetas.

In its foreign relations the republic has manifestly come to a cordial understanding with France. Following the rumors of an accord after ex-Premier Herriot's visit came the report of a Franco-Spanish railway express project through the Somport tunnel through the Pyrenees. The line will furnish rapid communication between France and Morocco. In the opinion of many it is closely linked up with the government's military policy as outlined in Premier Azaña's remarkable speech to the Cortes. "Next year," he said, "we will continue the reduction of our forces in Morocco, where it is evident that the less we spend the better." The rest of the address, however, was in a different tone. "We desire," he said, "to cut the costs of war to the last peseta, depending upon the universal conscience of the civilized world for peace. There is only one flaw in that. Some day, maybe in Europe or elsewhere in the world, * * * there may be a war, and that would find us unprepared to maintain our integrity. No one is the master of his own peace. Not even the League of Nations can guarantee it. The dignity of Spain demands that we prepare for this occasion."

Difficulties over the contract of the National Telephone Company continued during the month, the daily press hinting at rumors of a possible rupture with the American State Department. Fortunately, reasonableness has prevailed. Agitation in the Cortes for the confiscation of the company's contract and properties subsided. A new telephone board has been appointed and it is expected that the contract of 1924 will be modified so as to be more favorable to Spain. The wider implications of the controversy have not gone unnoticed. Unfavorable action by Spain involving violation of contract and the seizure of the company's properties might well serve as a precedent for similar action in countries, especially those of Latin America, where foreign interests and investments are important.

The Little Entente and the Treaties

By FREDERIC A. OGG
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THE Foreign Ministers of the Little Entente—Czechoslovakia, Yugoslavia and Rumania—for the first time held a meeting outside the usual routine annual conference. When they met at Belgrade on Dec. 18 disarmament, the economic reorganization of Central Europe, including Germany and Italy, and the reparations being paid by Germany's eastern allies were discussed, but the meeting appears to have been concerned principally with the reappearance of the revisionist phantom, as a result of recent speeches by Premier Mussolini and Winston Churchill and of the French admission at Geneva of the principle of equality of status for Germany and the other defeated powers. The Little Entente realizes with dismay that the financial clauses of the peace treaties have already gone by the board, that the military clauses are under severe cross-fire, and that only the territorial provisions of the settlement still have a chance of surviving.

At the close of the conference a communiqué reported complete unity among the conferees and announced the appointment of a permanent council consisting of the three Foreign Ministers and of a permanent secretariat, whose seat may be at Geneva. Nothing was said in the document about revisionist propaganda. It was understood, however, that Yugoslavia, at whose instance the meeting was held, wanted an express condemnation of the alleged revival of such propaganda and of Italy for supporting it, while Czechoslovakia and Rumania demurred. Rumania's general attitude relieved some of the apprehension of her associates that she might reorient her foreign policy in the direction of Rome in response to overtures that have recently been made by Italian diplomacy.

POLAND AND DANZIG

A new atmosphere in the relations between Poland and Danzig was brought about by the signature on Nov. 26 of a treaty which put an end to a number of disputes that for years have contributed to a strained situation along the eastern frontier of Germany. Since the good offices of M. Rosting of the League of Nations, High Commissioner at Danzig, smoothed the way for the agreement, people who believe in the League's usefulness as an agency of international conciliation again have reason to rejoice. In addition to an adjustment of various economic matters the treaty contained provisions for removing the ban placed on various newspapers, the introduction of a uniform currency for Poland and Danzig, recognition by Poland of the judgment of the World Court on the legal status of Polish subjects in Danzig, and a number of other subjects hitherto in dispute. On the whole, Poland made the greater concessions, and in that way implemented her oft-expressed desire for satisfactory relations with the Free City.

Although it had been reported that opinion in Warsaw favored paying to the United States the $3,070,980 due on Dec. 15, in case of a definite refusal to postpone payment, Poland was one of five European countries which de-

faulted on the date mentioned. Among considerations influencing the decision were (1) that the zloty was at the time firm but might suffer serious impairment from a drain of gold; (2) that payment would necessitate further cutting of official salaries or other economies deemed undesirable; and (3) that unless payments on war debts were reduced the country might be unable to meet other obligations considered even more important—those under the two loans for $90,000,000 floated in the United States in 1925 and 1927. It was generally believed that the government would in no event consider reprisals, such as a prohibitive tariff on American cotton or repudiation of the pending trade agreement with the United States. On Dec. 20 Foreign Minister Beck asserted that his government had never refused to pay the United States, but was merely holding out for a more advantageous form of payment.

Three days of student rioting between Jews and anti-Semites at the end of November caused the universities of Warsaw and Lwow and various other institutions to be closed for a period. Strong protests against attacks on Jewish students were lodged with the Minister of Education by the Jewish National Council, the Jewish Community Council at Lwow and similar organizations.

YUGOSLAV FOREIGN RELATIONS

Relations between Yugoslavia and neighboring States were unusually tense during December. As a consequence of a series of incidents on the Bulgarian border Minister Vukitchevitch on Dec. 5 delivered to the Sofia government a sharply phrased note declaring that Bulgaria had failed to suppress terrorist activities directed against Yugoslavia and announcing that, Bulgaria's failure to live up to the terms of the Pirot agreement of 1930 having left Belgrade in a position where it must alone assume responsibility for security of the frontier, that section of the Pirot convention guaranteeing the right of peasants through whose property the frontier line passes to go back and forth across the line was to be regarded as canceled. Already protected by two rows of barbed wire, trenches and armed patrols, the frontier, even where cutting through peasant farms, seemed likely to be hermetically sealed.

Meanwhile, Yugoslavia was herself the object of similar castigation in Italy. On the night of Dec. 1 seven carved stone Winged Lions of St. Mark—symbols of former Venetian sovereignty—were destroyed in the Yugoslav town of Trau, and this, with other happenings, caused four interpellations to be made in the Italian Senate and Chamber. In the Senate on Dec. 14 Premier Mussolini vigorously denounced the acts of vandalism and declared that their effect on Italian feeling was "profoundly significant." He also accused Wickham Steed, former editor of the London *Times*, of fomenting trouble by his charges that Italy and her Balkan allies were planning aggression against Yugoslavia. Mussolini held not only Yugoslavia but also "other European elements" — undoubtedly meaning France—responsible. Student demonstrations against Yugoslavia were reported from all parts of the country, and it was commonly considered that relations between the two States had never been worse. It was also generally conceded, however, that Italy was strongly devoted to peace, and consequently more disposed, if affairs went from bad to worse, to call upon the League than to resort to force.

During the last week of December a number of prominent Englishmen, including Lord Noel Buxton, Sir Gilbert Murray and H. A. L. Fisher, followed up a visit to the western provinces of Yugoslavia with a strong appeal for a revision of the country's constitution on federal lines, with a

view to ameliorating the present intolerable conditions and lessening the danger of intervention by hostile neighboring governments.

FINANCIAL TROUBLES

In general, Czechoslovakia's position throughout earlier stages of the depression was more favorable than that of most of her neighbors. In 1932, however, she began seriously to feel the pinch, and not only did she make a fruitless appeal to the United States to be allowed to withhold debt payments due in December but found the task of balancing her budget for 1933-34 more difficult than had been anticipated. A special Parliamentary committee of seven worked on the problem for three weeks, cutting 900,000,000 crowns (at par the crown is worth 2.96 cents) from the departmental estimates and making various proposals for new taxation. Though ordinarily the budget is prepared, as elsewhere, by the Ministry of Finance, it seemed in early December that the committee's plan would be accepted by both Cabinet and Parliament.

In a highly pessimistic report on the country's financial position, made public on Dec. 23, Edward R. Tyler, League of Nations Commissioner, showed that Hungary's exports for the last three months of 1932 were only 57 per cent of the amount in the same period of 1931. Clearing agreements with other countries facilitated the importation of unnecessary goods but not the exportation of Hungarian agrarian products, and the government was able to fulfill only an insignificant part of its obligations to foreign creditors. Income for the quarter was far below the estimates; government measures to protect agrarian debtors had not contributed to balancing the budget, and service on the League loan of 1924 was not being met. On the same day the government announced its decision to prolong the transfer moratorium on foreign debts for another full year.

Early in 1932 a two-and-a-half-year moratorium on the Greek war debt to the United States was agreed upon. In November the Greek Government defaulted on the interest due on an American refugee loan of $12,000,000 made in 1929, and in December was hesitant about paying on the principal, on the ground—said to have been suggested by ex-Premier Venizelos—that this loan, too, is a "war loan." As a result of differences in the Tsaldaris government on the matter, Finance Minister Anghelopoulos resigned on Dec. 16. Three days later the Greek Minister to the United States was instructed to inform the State Department at Washington that the Greek Government was holding the sum due, but would not release it until the question of whether or not the loan is a war loan had been settled by arbitration. The Permanent Court at The Hague was suggested as a suitable agency to which to refer the dispute. Meanwhile, the bankrupt government, as a measure of economy, disbanded an entire army corps and reduced the period of military service from eighteen months to twelve.

Following an unfavorable report by M. Watteau, League of Nations adviser to the National Bank of Bulgaria, a special delegation of the League Financial Committee arrived at Sofia on Dec. 13 to inquire into the country's finances. Enough was known in advance to lead the committee to insist that continuous supervision be exercised from Geneva and that a commissioner in the person of René Charron be placed in control of the national budget. Strong public resentment, however, was aroused, and the attitude of all of the political parties quickly became such that no government, it was believed, could be organized which would assent to the plan, or, assenting, prove able to weather the opposition. At the end of December no formula capable of appeasing the national feeling had been discovered.

Depression Reaches Scandinavia

By SIDNEY HERTZBERG

THE year 1932 saw the Scandinavian nations overtaken by the full force of the world economic depression. Their previous escape might be attributed to three circumstances. Sweden, Denmark and Norway were neutrals during the World War. Consequently, they were spared the malignant burden of war debts, reconstruction problems and armies of cripples and invalids. The steady and reasonably profitable trade relations which these nations enjoyed with Great Britain and Germany were perhaps the fundamental reasons for their comparative prosperity. Lastly, the fact that they enjoyed a higher degree of competence and enlightenment in their public officials—reflecting, possibly, the more widespread existence of such attributes in the electorate—than did most nations, may be mentioned as a contributory factor. However, this untimely respite came to an end with the coming into effect of the British imperial trade agreements concluded at Ottawa and the general heightening of tariff barriers and with Germany's determination to strengthen her domestic economic position.

In Sweden this turn of events was complicated by the collapse of the Kreuger companies. Although that country's financial system was strong enough to absorb the blow and prevent disaster, it is in a weakened condition. The necessity for government support of the important Skandinaviska Kreditaktiebolaget, the bank most seriously endangered by the crash, has meant an increase in the State debt of 214,000,000 kronor, bringing the total indebtedness to 2,200,000,000 kronor (the par value of the krona is 26.799 cents). Of the 899,000,000 kronor total loss on securities during 1932, the Kreuger companies were responsible for 684,000,000 kronor. A decline of about 6 per cent in the taxable income of Stockholm is also attributed to Kreuger losses.

The current budget is expected to show a deficit of approximately 50,000,000 kronor, which will probably be met from sinking fund appropriations. On the present basis of taxation it is estimated that the 1933-34 budget will confront the Social Democratic Ministry with a deficit of 90,000,000 kronor. Income tax and customs revenues are expected to continue their decline; and provision will have to be made for unemployment relief. Prime Minister Hansson was expected to propose to the Riksdag reductions in the items for national defense and increases in the liquor tax, which is comparatively low in Sweden. A reduction in the defense budget of about 20,000,000 kronor would be accomplished by the suspension or curtailment of compulsory military training and of naval building.

The total number of Swedish unemployed at present is estimated at 200,000 in a population of just over 6,000,000. The estimated average return on capital in agriculture, on which more than 40 per cent of the people depend for a livelihood, is 2 per cent.

In Denmark the problem of unemployment is more serious than in Sweden or Norway. Government calculations show that 35.6 per cent of the 316,757 working people covered by the statistics are out of work. A year before the percentage was 22.1. On top of this it is reported that, when the important collective agreements ex-

pire next Spring, Danish employers intend to demand general wage cuts of 20 per cent. The employers justify their position on the ground that the Danish wage level is higher than in any other country in Europe and that reductions would stimulate business. The trade unions declare they will not negotiate on the basis of a 20 per cent cut. They have denied vigorously that lower wages would improve economic conditions.

Within the past few months, Great Britain, Germany, France, Holland and Belgium have restricted their imports of Danish agricultural products. Exactly how disastrous the abolition of free trade in Great Britain has been to Danish agriculture can be seen in the fact that more than 80 per cent of all Danish agricultural exports, which means nearly 70 per cent of all Danish exports, go to Great Britain. In spite of disappearing markets, there has been no serious diminution in the output of agricultural produce. During the first nine months of 1932 bacon exports increased by 7 per cent in quantity but declined 10 per cent in value. The volume of egg exports increased 20 per cent, while the value of these exports went up only 9 per cent. Butter exports declined 6 per cent in quantity and 20 per cent in value. Killings of pigs for the British market broke all records. In the meantime insolvency among farmers is growing and it is estimated that the total indebtedness of the agricultural industry increased last year by about 200,000,000 kronor. [The par value of the Danish krone is 26.799 cents.]

The government's control of imports and exports through the foreign exchange law, which was extended for a year by both houses of the Riksdag on Dec. 6, seems to be responsible for a favorable balance of trade. For the first ten months of 1932 there was an export surplus of 7,900,000 kronor, while for the same period in 1931 the import surplus was 88,400,000 kronor. The government has drawn up a special list of products which may be imported without the "currency licenses" necessary under the foreign exchange law. This list comprises about 35 per cent of all imports, and it is estimated that in spite of the restrictions importers will be able to do about 90 per cent of their 1931 business.

It is reported that the Danish Government will issue a big loan shortly to finance extensive relief measures. Denmark's fiscal affairs have always been exemplary, but the decreased income from existing taxes and the possibility of a deficit in the 1932-1933 budget may mean new forms of taxation. A limited moratorium on farm mortgage interest is also contemplated to aid agriculture.

Norway's national finances are also showing signs of strain because tax returns have not come up to expectations. The Ministry of Finance estimates that the 1932-1933 budget deficit will be about 35,000,000 kronor. [The par value of the Norwegian krone is 26.799 cents.] Customs revenues, railway incomes and income and beer taxes have all fallen below the original estimates. To meet the deficit the Cabinet proposed on Dec. 11 a turnover tax on all retail trade except milk, cream and certain kinds of bread. This tax is being frantically opposed by the commercial interests. In October, 1932, 35,082 applicants for work were registered with the Norwegian employment exchange.

By resorting to such methods as reduced wages, lowered standards of living, increased consumption of domestic industrial products, decrease of luxury imports and greater efficiency of industrial production, Finland has been able to remain standing in the battle for foreign trade. From January to September, 1932, the value of Finland's exports totaled 3,285,500,000 finmarks while imports amounted to 3,162,900,000 finmarks. [The par value of the finmark is 2.5815 cents.]

Results of the Five-Year Plan

By EDGAR S. FURNISS

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OBVIOUSLY the objectives of the program under which the Soviet Union has been living for the past four and a quarter years have not been fully achieved and for that reason the second Five-Year Plan, announced many months ago, is no longer effective. The month of January was to be devoted to important meetings of party and governmental councils to decide upon a course of action. The All-Union Central Executive Committee—the Parliament of the Soviet Federation—postponed its scheduled session from Jan. 10 to Jan. 20 to allow time for a meeting of the Central Executive Committee of the Russian Republic which was to convene on Jan. 12. Russia is the largest and most influential of the seven republics in the Union, and since it comprises over 90 per cent of the Union's territory, 70 per cent of its population and most of its dominant industries, its decisions in all important matters prevail throughout the country.

Some indication of the trend of policy during the coming year was given in a recent statement by D. Sulimov, chairman of the Council of People's Commissars of the Russian Republic. He forecast a large reduction in Soviet capital investment in 1933, as compared with 1932, and a shift of emphasis from heavy to light industries; as a result the capital for investment in the latter group of enterprises would be doubled. In general there will be no new construction in the large-scale industries, whose forced development characterized the program of the past four years. Instead of further expansion the object will be to operate existing industrial equipment effectively, an end which has not yet been achieved. Some of the largest of the new plants, though technically completed months ago, have never really begun production; many others are operating at such high costs and producing grades of such a poor quality that they are scarcely an asset to the economic life of the country. During 1933, the government's efforts will be concentrated upon the problem of expanding output, reducing costs and improving the product of these new-born enterprises. The proposal further calls for a concentrated effort to relieve the distress of the people by increasing the output of household goods, the product of the light industries. Such a program bears slight resemblance to the ambitious second Five-Year Plan and apparently the next twelve months will be set apart as a year of grace for the overcoming of the more glaring deficiencies of the first Five-Year Plan.

Behind this change of program is the food crisis, whose development has been traced in these pages during the past few months. The official press describes the situation as urgent. Grain collections in December still lagged behind government requisitions. On Dec. 21 the new Commissariat for State Farms publicly attacked the whole State farm system, describing the record as "shameful." These farms were planned as models of agrarian enterprise and as a practical demonstration of socialism in agriculture. They were established on land of the highest quality and fully equipped with machinery. Neverthe-

less, a week after the date for the completion of their year's program they had accomplished on the average less than 80 per cent of their task in terms of grain requisitions, while some of the largest of them had completed little more than half their schedules. The records of the collective and the private farms were equally unsatisfactory at the end of the year. Food shortage, an ever-present problem in the cities, began to appear as a novel phenomenon in certain of the principal grain growing regions, leading to an unprecedented drift of peasants to the cities in search of food. Restrictions on rations were tightened throughout the industrial centres, while it began to seem probable that Soviet Russia, one of the world's most fertile grain areas, would be obliged to import foodstuffs before the Spring harvest became available.

The poor records of the State and the collective farms are attributable to different causes, and are to be overcome by different remedies. In the case of the State farms the blame is laid directly upon the managers. The task of operating State enterprises embracing, as numerous State farms do, many thousands of acres of land and an army of hired workers, has proved to be beyond the ability of the officers assigned to it. In the public statement referred to above, the Commissariat of State Farms proposed to solve the problem by means of threats, ordering the arrest and trial of managers who failed to complete their assignments without delay. In the case of the collective and private farms the reason for the shortcomings is quite different. Here the government itself bears part of the blame because its new industries have failed to provide in full the farm machinery whose assistance was taken for granted in planning the schedules of agrarian production for the past year. But this is of minor importance as compared with the attitude of the peasant who has withheld his cooperation from his political masters. In planting and harvesting alike, he has worked half-heartedly and has responded reluctantly to the government's demand for a share of his product. The reasons for this attitude are not far to seek. With the market bare of the goods which he needs, his money returns meant little to him, and he lacked the incentive to put forth his labor.

Underlying this situation, and therefore responsible in the last analysis for the agrarian crisis, was the policy of the Five-Year Plan to force the growth of heavy industry at all costs. Capital and labor were deflected from the light industries producing consumers' goods, the importation of household wares was prohibited in order to continue the inflow of foreign machinery; while the home market was drained of goods which could be exported to cover the trade indebtedness. This policy, under the most favorable conditions, would have seriously affected the Russian standard of living and the progressive collapse of world markets during the past four years has added proportionately to the common burden.

The Kremlin has proposed to overcome the passive resistance of the peasants by means which combine firm discipline with an appeal to economic self-interest. No concessions will be made which undermine the principle of socialization and no open defiance of the government in the matter of grain collections will be tolerated. The solemn warnings broadcast by the newspapers have been enforced by the official infliction of severe penalties, including one death sentence upon a recalcitrant peasant group in the Moscow Province. This determination to preserve the basic principles of their program is to be supported by certain changes of policy intended to win the voluntary cooperation of the peasants by increasing their economic rewards. The most

far-reaching of these changes was mentioned above—the shift of emphasis from the heavy to the light industries. This implies a fundamental alteration of the economic plan. If successful it should result in rapid improvement of the conditions of life among the common people and a corresponding change in their attitudes, for not only does it contemplate a doubling of the productivity of the light industries, but it obviates the necessity of exporting consumers' goods and makes possible their importation. It is hoped by these means to increase the purchasing power of farm commodities in terms of factory products.

By stressing the adverse circumstances of the Soviet Union we are in danger of implying that the great Communist experiment has proved a failure. No such conclusion is warranted by the facts. The shortcomings of the Five-Year Plan are glaring enough when measured against the control figures projected for its final year—some 40 per cent deficiency for industry on the average, and about an equal deficiency in agriculture. These disappointing figures, it must be remembered, merely mean that the rate of increase over the preceding year has fallen below expectations. The record for 1932, outside agriculture, did show substantial gains as compared with 1931. Moreover, when comparison is made with conditions prevailing when the plan was launched, one cannot fail to be impressed by the accomplishment of the four and a quarter years as a whole. The announcement of the Five-Year Plan in 1928 was greeted with derision and incredulity by the conservative world. A survey of affairs at the end of 1932 shows that while the "mark-up" of the schedule figures by the Soviet leaders at the end of the second year was an act of extravagant optimism, the original objectives which were condemned as impracticable by the outside world have been virtually attained. The Soviet Union has equipped itself with the basic capital structure upon which to erect a new industrial society. The expansion of material equipment has undoubtedly outstripped the skill of the human element, both managerial and laboring, with the result that the new plants are operating on a low plane of efficiency, but the Soviet Government is bending every effort to correct this maladjustment by increasing the discipline of labor, and by a gigantic program of technical education which embraces the entire laboring population from the lowest to the highest ranks.

The cultural phases of the Five-Year Plan have received too little attention from a world preoccupied with economic concerns. The plan is more than an economic program; it embraces the entire life of the nation —education, health, social relationships, cultural activities, as well as the material side of life. In its non-economic branches the plan has scored real achievements. The educational program, for example, has virtually abolished illiteracy; it has established the principle of compulsory school attendance for all children, and it has brought to the youth of the nation a comprehensive system of vocational and technical training. Another striking example of these phases of the Five-Year Plan is the health program. Recently, John A. Kingsbury, former Commissioner of Public Charities of New York City, and Sir Arthur Newsholme, former chief medical officer of the Local Government Board of England, surveyed the accomplishments of the public health activities of the Soviet Union. The former, in a report of his observations, described the Soviet health program as "unquestionably the most comprehensive in the world today." He pointed out that there are now eight vast polyclinics in Leningrad and twelve in Moscow; 106 special research institutions and 37 medical colleges in the Union, and

that the health services of 160,000,000 people are efficiently integrated and administered on a nation-wide scale. These achievements in the domain of education and health are typical of the little known non-economic branches of the Five-Year Plan.

Care must be taken in any attempt to appraise the success of the Communist experiment not to confuse details with essentials. The Communist régime is characterized by three features: the principle of a planned economy; the method of minority dictatorship; the objective of socialization. These have survived the vicissitudes of the world-wide depression and appear now to be more firmly established than ever. The economic plan may have miscarried in detail, but there is no danger that the principle itself will be abandoned. Nor is there the slightest indication of popular revolt against the dictatorship as represented by the official government. Within the Communist party, too, the present leadership has successfully overridden all factional challenges and is at this moment demonstrating its power by launching a thoroughgoing *Chistka*, or purging of the party membership, which will remove hundreds of thousands of lukewarm followers from the ranks. It did seem last Summer that the food crisis would force the Kremlin into a policy of disastrous compromise with the objective of socialization, but before the end of the year control over the market had been re-established and the party councils had rejected all temporizing expedients. The new industrial enterprises remain in government ownership and under government management; the socialistic structure in agriculture, represented by the State and collective farms, has suffered no substantial damage; management of the labor supply has been made more rigorous and more comprehensive by a firmer control of the food ration, and by means of a new domestic passport system, announced on Dec. 28, which determines the place of residence and indirectly the employment of every citizen above the age of 16 years. The immediate purpose of these labor policies is to return millions of workers to the farms and thus to relieve the cities of a useless population, but they also place in the hands of the government power to direct the economic effort of the people as a whole toward preordained goals and thus to control the productive life of the nation.

The Anglo-Persian Oil Dispute

By ALBERT HOWE LYBYER
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PERSIA and Great Britain, having found each other adamant in regard to the dispute which arose out of the former's cancellation of the Anglo-Persian Oil Company's lease, have now asked the Council of the League of Nations to pass upon their claims.

The British Government on Dec. 2 intervened in the dispute on behalf of the Anglo-Persian Company and protested officially against the annulment of its concession. In reply the Persian Government reasserted its position and washed its hands of responsibility for any damage that might be suffered by the properties involved.

This attitude was made the subject of an attack in the House of Commons on Dec. 5 by Captain Anthony Eden, Under-Secretary for Foreign Affairs, who stated that the British Govern-

ment would "not tolerate any damage to the company's interests or any interference with its premises or business activity in Persia," and would take all legitimate measures for the protection of its interests. This was followed on Dec. 8 by the announcement that, if the Persian Government did not withdraw its cancellation by Dec. 15, Great Britain would refer the matter to the World Court. Meanwhile, the Persian Government would be held responsible for damages and, if Persia could not afford protection to the company's property, the British Government reserved the right to do so.

Much resentment was felt in Persia at the intervention of the British Government. After three days of deliberation, the Council of Ministers, presided over by the Shah, replied to the British notes. Nine reasons were given for canceling the concession, and the jurisdiction of the World Court was denied on the ground that the dispute existed between a government and a private company. The Persian Government then announced its intention to complain to the Council of the League of Nations in regard to "the threats and pressure" used by the British Government. On Dec. 14 the British Government asked the Council of the League to consider the dispute, thus abandoning its proposal to refer the question to the World Court. During a debate in the Persian Parliament on Dec. 15 the Foreign Minister denied that Persia was motivated by ill will toward the British Government, the company or any foreigner. The Persians, he said, "only demand the rights which they will by every means and method seek to obtain." Persia requested the League Secretariat to have the Council meeting delayed until Persian representatives had time to reach Geneva. Preliminary consideration was given to the matter by the Council on Dec. 19, and a date for the opening argument was tentatively set for Jan. 23. It was expected that by that date representatives of Persia would have prepared their case and arrived at Geneva. As is customary in dealing with such cases the president of the Council urged the disputants "to refrain from any act or step that might aggravate or extend the dispute."

The Persian Parliament on Dec. 20 ratified the cancellation of the lease. Hussein Khan Alai, who was formerly Persian Minister to the United States and France, and who is reputed to be Persia's ablest diplomat, was chosen to head the Persian delegation. Foreign Minister Foroughi asserted that the "intrusion" of the British Government prevented an amicable agreement between Persia and the Anglo-Persian Company. He denied that Persia had been influenced by foreign interests in her decision to cancel the lease, and asserted that the Persian Government and people had no designs upon the properties of the company. Persia desired only to receive her just share of the profits, in order to complete her plans for road building and industrialization.

It is significant that on the same day that these moderate sentiments were expressed by Foroughi the Persian Parliament ratified a treaty of friendship and neutrality with Turkey, and ordered war vessels from Italy and military airplanes from Germany.

TURKEY RESTRICTS NARCOTICS

For many years the non-cooperation of Turkey has been one of the chief obstacles in the way of controlling the international trade in narcotics. But it appears that Turkey is at last willing to do her share to restrict the evil. On Dec. 25 a Cabinet meeting presided over by President Mustapha Kemal decided that the three narcotic factories in Istanbul, which were closed recently, should not be allowed to reopen. It was further decided to restrict the cultivation of the poppy to medicinal needs and to set up special courts to try smugglers and illegal manufacturers of drugs. Finally, it was announced that Turkey would ad-

here to the international conventions which limit the trade in narcotics.

Turkey's diligent search for minerals has been rewarded by the discovery near Mount Ararat of a gold deposit that is expected to yield $300,000,000. Signs of petroleum have also been found and the government will ask the Assembly for an appropriation with which to begin the exploitation of these resources.

During the last three months of 1932 the Turkish Government relaxed some of its restrictions on foreign trade, but did not by any means abandon its policy of regulation. In general the import quotas announced for the first quarter of 1933 were higher. But the quotas were reduced for automobile parts, batteries, radios and motion-picture films, a restriction that is unfavorable to American trade.

LOCAL GOVERNMENT FOR PALESTINE

Sir Arthur Wauchope, High Commissioner of Palestine, made his annual report to the Mandates Commission of the League of Nations on Nov. 10. He stated that the British Government had not changed its intention to set up a legislative council in Palestine, but that a new local government ordinance must first be put into operation. The Jews of Palestine are for the most part opposed to the creation of a council, holding that the country is not yet prepared for such a degree of self-government and that the body would only be a cockpit of political strife. Arab opinion, on the other hand, is favorable to a council, but with the reservation that Arab acceptance must not be taken to imply acquiescence in either the Balfour Declaration or the Mandate.

EGYPTIAN PARTY POLITICS

In Egypt, the Wafd, or Delegations party, has been torn by dissension for some weeks over the question of cooperating in a limited way with Premier Sidky Pasha's government or of continuing its policy of rigid opposition. Involved in this is a challenge to the leadership of Mustapha Pasha Nahas. On Nov. 20 a meeting of party leaders expelled Gharably Pasha and several other moderates. Continued political agitation and attempted bombings have prompted the Prime Minister to forbid public meetings.

Parliament opened on Dec. 15 with a brilliant ceremony. The King's speech dwelt upon public improvements, such as water and electric systems and new canals and hospitals. The government has arranged with the chief mortgage banks to take over unpaid instalments of farmers' loans, extending their term to thirty years and reducing the rate of interest from 9 to 5 per cent.

IRAQI FRONTIER ADJUSTMENT

The Council of the League of Nations on Nov. 25 approved the frontier line between Syria and Iraq which was recommended by the Council's commission of inquiry. The boundary was drawn in such a way as to leave the Sinjar Mountain in Iraq, thus avoiding a division of the small sect of the Yezedis, or Devil-worshipers, between the two countries.

The League on Dec. 15 disapproved the demand of the Assyrians for administrative autonomy within Iraq. The Council commended the Iraqi Government for its intention to employ a foreign expert to assist in settling all landless inhabitants, including the Assyrians.

The plan to hold a Pan-Arab congress at Bagdad under the leadership of King Feisal to discuss the formation of an Arab federation is meeting with difficulties. The cooperation of two powerful and independent Arab sovereigns, King Ibn Saud of Saudi Arabia and the Imam Yahya of the Yemen, has not yet been secured. In addition, certain influential Arab nationalists are opposing the congress plan on the ground that the contemplated federation would fall under British control.

Japan's Diplomatic Isolation

By TYLER DENNETT
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THROUGHOUT December Japan, despite some apparent improvement of her position in Manchuria, was losing ground in her all-important international relations. This may account for the sensational action of Japanese troops on Jan. 3 in reducing the Chinese city of Shanhaikwan to "smoldering ruins" and then occupying it. Such further defiance of the League and flaunting of world opinion can be accounted for only as a desperate attempt of the Japanese military to restore an imperiled prestige.

Shanhaikwan is the gateway at the Great Wall through which the Peiping-Mukden railway passes into Manchuria. It is also the gate from the sea to Jehol. Having now taken up a strong position inside the Great Wall, Japan is prepared to advance from the south as well as from the east into Jehol, and, at the same time, is able to make excursions toward Tientsin and Peiping. General Moto at Changchun and both the Foreign and War Offices in Tokyo declared that the attack upon Shanhaikwan was unexpected and was provoked by the Chinese, but it was reported from China that Japanese representatives regarded it as the first major step in the long-expected reduction of Jehol. Foreign observers are looking for still further advances into North China, with Peiping as a possible objective.

From Chinese sources the explanation is offered that this new offensive is an answer to the recent order of the central executive committee of the Kuomintang to General Chang Hsiao-liang to strengthen the Chinese forces around Shanhaikwan. It was alleged by Dr. V. T. Soong that on Dec. 31 Mr. Yano, Counselor of the Japanese Legation in Peiping, called upon General Chang to explain the action of the central executive committee. The General admitted that he was ordering to Shanhaikwan 20,000 troops to reinforce the 30,000 already there. The next day the fighting at Shanhaikwan began.

Many rumors have been put into circulation regarding the immediate cause of the hostilities, but, if the Chinese version is to be credited, the Japanese provoked the fighting, just as they did at Mukden on Sept. 18, 1931, and again in Shanghai a few months later. Similarly, too, the action appears to have been taken without direct authorization from Tokyo and without previous consultation with the Foreign Office.

The significance of this new movement can best be understood when approached through the chronological sequence of events since the Assembly of the League of Nations received the Lytton report from the Council early in December.

China and Japan may both be likened to chemical elements which because of their unstable nature are required to seek combinations with other elements. It simplifies the problem to keep this likeness in mind when we are searching for the main political currents which swarm through the Far East and Geneva at the same time.

China is condemned, by lack of cohesion and lack of power to mobilize its strength, always to be searching for a political combination. Japan, like-



Jehol, Japan's New Objective

wise, is condemned to the same search because, while there is no lack of cohesion or ability to muster the national resources for a specific objective, the resources themselves are so severely limited that only in combination with some other power or powers can Japan ever hope to sustain its present political position.

The natural political affinities which both Japan and China must seek are substantially the same. Associated together they would constitute a formidable political power; this, at present, is the Japanese objective, although it may be seriously doubted whether the measures chosen to accomplish the purpose are judicious. Other possible combinations for Japan are with the United States, as in the period of treaty revision (1872-94); with Great Britain, as in the famous Anglo-Japanese alliances (1902-22); with France, as in the decade following the dissolution of the Anglo-Japanese Alliance; or, with Russia, as in the series of Russo-Japanese agreements which followed the Treaty of Portsmouth and which were terminated only by the advent of the Soviet régime in Russia. The Chinese affinities, aside from Japan, are, on the one hand, the United States, which, with more or less consistency from an early date, has taken China's side against the European powers, and on the other, Russia, with whom there have been alternate periods of hostility and alliance, and notably, the alliance of 1896.

The most sensational news in December was the resumption of diplomatic relations between the Soviet Union and China, but the full significance of this development is best observed, not in the Far East but in Europe, especially in Geneva, where China has been so plaintively searching for a political combination which would stand the strain of these extraordinary times. The significance of the new understanding between China and the U. S. S. R. is magnified by its accompanying phenomenon, the visible tension of Russo-Japanese relations and the understanding reached in Europe on Nov. 29, under which France, such an obvious supporter of Japan in recent years, signed a non-aggression pact with the Soviet Union. Apparently, therefore, while Japan has in the last month appeared to be holding its own at Geneva, its relative international position has weakened significantly.

The Japanese campaign at Geneva to defeat the Lytton recommendations opened, not in Europe but in Manchuria and in Moscow. Yosuke Matsuoka, on his way to Geneva, stopped in Moscow, where conversations were continued for an understanding between Japan and the U. S. S. R. which might have resulted, not only in a non-aggression pact but also in formal Soviet recognition of Manchukuo. For a few weeks there were optimistic rumors from Japanese sources that the relations of Japan and Russia were becoming increasingly satisfac-

tory. On Dec. 6, when the debate in the Assembly on the Lytton report opened, the Japanese diplomats were evidently confident that they had the passive, if not active, support of Russia. A week later they were rudely disillusioned by the declaration that Russia had resumed diplomatic relations with China. Reference to this is made later. Suffice it, for the moment, to point out that Japan suffered defeat at Moscow.

Obviously timed also to influence action at Geneva was the very aggressive campaign in Manchuria against General Su Pin-wen, who controlled the western section of the Chinese Eastern Railway and the vast area west of the Kinghan Mountains. Japan sought to demonstrate that it actually had the potential mastery of Manchuria. The drive against General Su was announced on Nov. 28. In a series of well-executed drives, beginning near Tsitsihar, the Japanese pushed westward, meeting only feeble opposition except from the weather. At the Kinghan Mountains, where the Chinese Eastern Railway passes through a tunnel, the Japanese were surprised to encounter practically no opposition. The Chinese failed even to blow up the tunnel, perhaps because of a lack of explosives. The Japanese pressed rapidly on, captured Hailar and, on Dec. 6, entered Manchuli. General Su and the much-killed General Ma crossed with their volunteers into Soviet territory. The U. S. S. R. promptly interned Su, Ma and their followers, and declined to extradite the alleged rebels to Japanese jurisdiction. Japan took control of the railway and was now in a position to march south into Barga. Immediately there were rumors that Japan would turn her attention to Jehol and that she might even start the long-expected drive into North China. For three weeks there was a breathing spell.

The astonishing announcements, already referred to, that China and the Soviet Union had already resumed diplomatic relations stunned the Japanese Foreign Office. Japan was robbed at Geneva of the second tactical advantage which had been an important feature of the proposed diplomatic and military strategy.

We come now to the main show—the Japanese before the Assembly of the League of Nations. On Nov. 28 the Lytton recommendations were referred by the Council without comment to the special meeting of the Assembly convoked for Dec. 6. Japan recorded its objections but acquiesced in the decision and for the moment it appearel as though Mr. Matsuoka had won a point since the Council had passed no vote of censure against Japan. In the Assembly the small powers had their opportunity. The Irish Free State, Czechoslovakia, Sweden and Norway, objecting to the way in which Japan has thus far defied the League, pressed for the adoption of the Lytton report and for the reaffirmation of the Stimson principle of non-recognition.

The great powers, in measured phrases, gave their views on Dec. 7. France, Great Britain, Germany and Italy stressed the necessity for cooperation and deplored any action by the Assembly that would prevent its acting as a conciliator. The view was generally accepted that the Soviet Union and the United States should be invited to join in the attempt at conciliation. Perhaps the most significant statement was that of M. Paul-Boncour that the League was under obligation to find a solution and that if conciliation failed there would be no alternative save to make a report under paragraph 4 of Article XV. Such a report would almost certainly lead to the invocation of sanctions. Thus it turned out that in Geneva Japan appeared to have lost the support of France upon which she had counted a few months earlier.

Matsuoka took up the challenge and replied that Japan had counted the

cost. He declared that, rather than change her policy in Manchuria, Japan would undergo the severest sanctions. This declaration was made thirty-six hours after the capture of Manchuli, when Japan was flushed with recent military success. Dramatically Matsuoka cried that Japan was prepared even to be crucified, and then he alluded to the new understanding with Russia, of which he appeared to be very confident. He urged the League to take a hint from what he expected Russia to do. Again, for the moment, Japan seemed to win a point. The Assembly without further debate adopted a mild, non-committal resolution which referred the Lytton report to the Committee of Nineteen, but without in any way passing upon the questions which the small powers pressed. In other words, the Assembly failed to uphold the Lytton report; it merely shifted the responsibility to the committee, which became an agent of conciliation.

The Committee of Nineteen, which met on Dec. 12, was dominated by Sir John Simon, the British Foreign Secretary. Avoiding again the reaffirmation of the non-recognition doctrine, the committee busied itself with framing a resolution which would refer the Sino-Japanese dispute to a subcommittee to which Russia and the United States would be invited to send representatives. Having framed the resolution after his own wishes, Sir John Simon departed from Geneva and Mr. Matsuoka asked for formal instructions from Tokyo. The committee adjourned for the holidays. The subcommittee of five took up the work of conciliation. From Tokyo on Dec. 17 came rejection of the proposal that Russia and the United States be invited to join the subcommittee and also objections to the suggestions in the resolution that the Nine-Power treaty and the Lytton recommendations be used as guiding principles for the work of the subcommittee. The Japanese War Office was very positive. On the other hand, one has a feeling that Japan, like Samson, has been shorn of some of its strength; that Tokyo was not speaking at Geneva quite so defiantly as it did three months ago. If this be true, the explanation is not difficult.

Until the debate in the Assembly Japan counted upon support which is now melting away. France failed to take the line which would be helpful to Japan, even though destructive to the League. Sir John Simon carried the Japanese load at Geneva, but, at the same time, Sir Francis Lindley, British Ambassador at Tokyo, was instructed to warn the Japanese Government that if Japan persisted in obstructing League efforts at conciliation there would be no alternative but the application of sanctions under Article XVI. This warning was delivered on Dec. 13. Most serious of all, however, was the announcement, the day before, of the resumption of Russo-Chinese diplomatic relations.

At the very moment that Sir John Simon was successfully laboring in the Committee of Nineteen to set up a subcommittee, the majority of which would not be too harsh in its judgment of Japan, came the thundering announcement of Maxim Litvinov, Soviet Foreign Commissar, that he and Dr. W. W. Yen had exchanged notes for the resumption of diplomatic relations between Russia and Japan. It was a dramatic turn in the sequence of events, the importance of which may be great. The Litvinov-Yen notes put an end to the Japanese dream of Soviet complacency toward the Far Eastern situation.

The response of the Japanese Foreign Office was more than petulant; Walter Duranty characterized it as "one of the strangest outbursts of spleen in diplomatic history." The Foreign Office charged the U. S. S. R. with double-crossing under the cloak of friendship and blustered about a more "definite" policy toward Russia, "without scruples." Tokyo sought to arouse public opinion by waving the threat of the Red menace. "Uniting

the two disruptive forces of the Far East — Russian communism and the Chinese chaos," declared the Japanese spokesman, "is a menace not only to the peace of the Orient but to that of the entire world." Passing over the question of how chaos may be disruptive, and why it is more sinful for China to resume relations with Russia than for Japan to seek an understanding over Manchukuo, one wonders in what respect the new Russo-Chinese entente can be more disrupting to the Far East and more threatening to world peace than Japan's policy in the last sixteen months. Evidently Japan's nerves are taut, even to the point of breaking. Of some significance, also, is the fact that the world, now grown accustomed to these alleged threats of the Red menace, appears to have accepted the new situation with a great deal of complacency. The simple fact is that Japan has lost an important trick in a game which she cannot afford to lose.

Thus within a few weeks Japan has seen the failure of one after another of the international political resources upon which she had been relying. She is now more nearly politically isolated than at any time since the close of the Sino-Japanese War, thirty-seven years ago. Immediately following the resumption of Russo-Chinese diplomatic relations the Soviet Ambassador in Tokyo, Mr. Troyanovsky, offered Japan a non-aggression pact. Japan has not acted upon the question. Tokyo desires a settlement of existing differences after which it is willing to discuss a non-aggression treaty; Moscow desires to begin the negotiations for the settlement of existing differences by a pledge that the settlement shall be arrived at only by pacific means and this Japan is not yet prepared to promise.

Throughout the month America was quiescent. The reference of the Lytton report without endorsement to the Committee of Nineteen was interpreted by many officials in Washington, outside the Department of State, as practically a repudiation by the great powers of the Kellogg Pact and the Nine-Power Treaty, which many Senators appear now to regard as dead. Democrats have displayed some satisfaction in declaring that the Stimson policy of non-recognition has been practically repudiated by the League. Such a conclusion seems, however, quite premature. It is often predicted that the new administration will adopt a new policy in the Far East and will also recognize Soviet Russia.

In plotting the curve of American policy in the Far East it is necessary to take the long view. That policy has swung between the two extremes of intervention and non-intervention, the latter, more nearly than the former, having been the rule. By intervention is not meant anything as narrow as mere military intervention. At the present time the pendulum appears to be in the midst of a new swing. Where it will stop cannot now be predicted. The acquisition of the Philippines in 1898 was the manifestation of a policy of intervention. So were the open-door notes of the following year. The recent passage by Congress of the Hawes-Cutting bill, which looks definitely toward the independence of the Philippines in ten or a dozen years, at the moment when the United States is pursuing actively a policy of pacific intervention in Manchuria, would seem to indicate that American sentiment is on one of its periodic swings toward non-intervention. The adoption of the clear principle of Philippine independence, however, does not stand alone as a straw in the wind. The naval limitation and non-fortification agreements of the Washington Conference eleven years ago also pointed toward a settled policy of non-intervention. While the Washington treaties remain, American influence in the Far East can never take the ultimate form of military intervention on a major scale.

The principle of the integrity of China and the ill-fated Knox neutralization scheme were interventionist, as were the re-creation of the consortium in 1918 and the military operations in Siberia. The Stimson policy has been in line with many precedents, but the hesitant acceptance of the Stimson doctrine by the American people and the free predictions that the policy will be quietly abandoned by the next administration raises the question whether the United States may not, within a few years, swing clear of the interventionist policy and, so far as the Far East is concerned, return to the implied principles of the Monroe Doctrine. It should be recognized, however, that, if American public opinion were in the immediate future to complete the swing just indicated, the exclusion of American trade from Far Eastern markets in the next generation might very plausibly induce a new swing of American opinion which would bring the United States back to an interventionist policy of such dimensions as have not been hitherto even contemplated.

JAPANESE DOMESTIC POLITICS

Facing a birth rate of four babies per minute, a budget 70 per cent above the revenue, and a yen worth only 40 cents on the dollar, the Japanese Diet opened on Dec. 26 to receive the budget and then promptly adjourned to meet again on Jan. 24. The Saito Cabinet is leading a precarious existence, for it faces the growing dissatisfaction of the Seiyukai party, which has an actual majority. The Seiyukai leaders are reported to have avoided forcing the question largely because of the uncertainty as to whether, if the present Cabinet were overthrown, the army and Nationalists would permit the creation of a party Cabinet. The most favorable symptom is that, owing to the fall of the yen, Japanese export trade is just beginning to enjoy what is described by the *Japanese Advertiser* as the "biggest boom since the hysterical days of World War activity." Es cially notable has been the increas exports to British India, the Du East Indies, East Africa, Egypt Australia. Some of the exports sh ing the largest gains are tinned f alcoholic liquors, beer, vegetable pr ucts, cotton yarns, rayon cloth, bic tires and lamps. It is not to be pected that this boom will last v long, but until the prices in Japan in correspondence with the actual flation of the currency and credit will be a very welcome drop in w is otherwise a very leaky bucket.

THE KUOMINTANG REGIME

The third plenary session of central executive committee of Kuomintang opened at Nanking Dec. 15. General Chiang Kai-shek Wang Ching-wei dominated the ass bly. Representatives from Canton w conspicuous by their absence, Sun son of Dr. Sun Yat-sen, being the c prominent Cantonese present. W Canton is virtually independent, N king is being permitted to continu direct foreign affairs. Many of prominent northern Chinese were a absent.

The most significant action of committee was a manifesto in defia of Japan. It was a mild declarat but appears to place General Chi behind the Chinese opposition to Ja and to some extent disposes of persistent rumor that the Genera much less enthusiastic than some his countrymen in leading active position to the Japanese aggressio T. V. Soong, Finance Minister, ported that the national budget been balanced, notwithstanding expenses of the anti-Communist ca paigns, flood relief and the cutting of all revenue from Manchuria. M important was the evident satisfact over the growing amity with Rus The Chinese are, at the same ti deriving no little satisfaction from fact that some Chinese bonds are r priced in the foreign market ab those of Japan.

CURRENT HISTORY

MARCH 1933

New Armies For Old

By B. H. LIDDELL HART

[Captain Hart saw service in the British Army during the World War, and since then has earned a reputation as an outstanding military historian and critic. Among his works are *Reputations—Ten Years After, The Real War*, 1914-1918, and *The British Way in Warfare* (New York: Macmillan). He contributed to CURRENT HISTORY for November, 1932, an article entitled "Pershing and His Critics."]

IN the first fourteen years of this century, the years before the World War, the military thought of Europe was divided into two schools. The first, blinded by the after-glow of Napoleon and deceived by the superficial quickness of the German victory of 1870, dreamed of new battlefields where the issue would be divided by neo-Napoleonic coups. It counted strength in terms of numbers. Although it admitted the necessity of fire-support, it still pictured the attack as the irresistible onrush of charging lines of bayonets, white-crested waves that would sweep over all opposition by the sheer force of their will to conquer, provided that generalship had concentrated sufficient weight in the waves. This school had a blind faith in the virtue of the massed attack to gain an early and decisive victory. Massed cavalry formations would then exploit the victory by a headlong pursuit.

The men who held these views gained control of the general staffs of Europe, and dubious realists were excommunicated as heretics, especially in France. But while the Generals kept their eyes so intently on Napoleon's star they missed an obstacle on the ground, an obstacle that was growing with every advance in mechanized science.

The other school found its foremost prophet in M. Bloch, a civilian banker of Warsaw, who in the '90s analyzed the improved range and deadliness of modern weapons, and predicted that future war would develop into a deadlock, with the opposing armies passively entrenched. After the South African War of 1899-1902, where a few thousand Boer farmers, expert rifle shots and highly mobile, had long defied the efforts of a quarter of a million would-be conquerors, a number of European soldiers began to

share M. Bloch's views. In France, Generals Kessler and de Negrier, as well as the military critic Colonel Mayer, argued the dominance of fire and the hopelessness of frontal attacks. But they were voices crying in the wilderness—the wilderness of military ritual where common sense withers.

Then the World War came, and within two months their predictions were justified. Although all armies had neglected the machine gun, the comparative handful of these weapons that were available sufficed to turn the charging lines of infantry into swathes of corpses. Flesh and blood could not stand against this grim Reaper, and the common sense of soldiers, revolting from the common nonsense of pre-war doctrine, led them to dig themselves into the ground before they were buried in it. A trench was at least preferable to a certain grave.

The history of the years that followed is one of ceaselessly renewed frontal onslaughts upon entrenched lines that were held in reality by machine guns, if nominally by infantry. The obvious military way to overcome the obstacle was to increase the quantity of artillery in order to flatten out opposing trenches. This method was tried first, and the industry of the nations was converted to the production of shells. It succeeded only to a limited degree, and the ratio of success was disproportionate to the cost. The result of any attack by this method came to depend almost entirely on the scale of the preliminary bombardment and subsequent barrage. The infantry merely occupied the ground that the guns had conquered. These modern barrage-followers had almost as menial a rôle as medieval camp-followers.

The success was limited because it could not be exploited, because the gun-battered breach in the enemy's "wall" could not be deepened quickly enough to cause a general collapse of the wall. Penetration was always so gradual that the enemy had time to bring up reserves to cement the cracks. A decision in war turns on the time factor, and none of these 1914-1918 attacks was truly decisive because the rate and means of progress were too slow. This slowness was aggravated by the artillery method, which not only demanded excessive time in preparation and in moving the guns forward to support the next bound, but so upheaved the ground as to obstruct the advance of the troops it was supporting. If the ground was wet it was soon pulped into an impassable bog—this was the ruin of the British 1917 offensive at Ypres. Thus the artillery was a form of help that became a hindrance, a short-distance asset but a long-distance debit, difficult to dispense with yet ultimately more difficult to progress with at the rate essential to real success.

The alternative was to discover a new means. The Germans were first in the field with gas. But, conforming to military experience, they did not believe in their new weapon until its surprise value had been forfeited.

Used in the Ypres sector on April 22, 1915, it swept a clear path, several miles wide, through the Allied front. The Germans had only to walk through, but for want of faith they had no reserves at hand to exploit the opening. Anti-gas measures were soon taken that diminished the potency of the new weapon, although it still remained a valuable auxiliary to explosive shells in overcoming the enemy's initial resistance. In particular, gas-shell bombardment in March, 1918, was one of the chief factors in the startling success of the German offensive—Ludendorff's final gamble for victory in the war.

Another means to overcome the machine-gun defense was to make the attackers bullet-proof by putting them in armored vehicles. The tank was Britain's contribution to the new armory of war. Unlike guns and gas, it was not strictly a new weapon but a new means of carrying weapons for-

ward in face of fire. It revived fighting mobility by providing direct protection while in movement.

As with all new means, distrust of its value forfeited the full profit of its use. The chance of a great surprise was thrown away when a driblet of immature machines was used on the Somme in 1916. But the tank was not merely a new device. As a means of protected movement it had a fundamental value that was unaffected by antidotes. They might diminish its irresistibility, but they could not alter the basic condition that a partially protected soldier was superior to an unprotected soldier.

The more numerous the tanks used, the greater became their relative protection, because the less concentrated the target that they offered. This was proved by the tank attack in November, 1917, at Cambrai, where a swarm of several hundred was released, in place of the usual preliminary bombardment, and enabled the attack to go further than any during the previous three years. In 1918 the tank was, by German confession, the preponderant military factor in the tide-turning battles of July and August.

These wartime tanks were slow, and this condition determined the way they were used. As their speed was roughly a man's walking pace, it was natural to use them as armored "companions" to the infantry. Crawling just ahead, they crushed the machine guns, which were the infantry-killing weapons. And the infantry in turn were close enough to help in protecting the tank against its own special foe, the field gun.

The combination was admirable in solving the first problem of any attack —how to break *into* the enemy defenses. It even brought us nearer to the solution of the second problem—how to break *through* the defenses. A set of tank-teeth was able to bite more deeply than the old set of artillery-teeth had ever done. But the defenses were too deep to be bitten through in a single bite. In default of an agent that could penetrate more quickly still, a real break-through was never achieved on the western front. The problem was still unsolved when the war ended.

In wars of the past that decision-bringing function had been the rôle of the cavalry. The mounted arm has always been in the true time-sense the decisive arm, not because it could shatter the enemy's solid formation but because it could move quickly enough to exploit any disorder in that formation. This essential fact has been obscured by "heroic" battle painters and chroniclers. It is only after the enemy has been temporarily disorganized that the decisive stroke can be made.

Against modern defenses, distributed in ever-increasing depth, it becomes a matter not merely of moving quickly enough but of maintaining speed long enough. But here cavalry became increasingly helpless as modern firearms became increasingly potent, because the horse was too vulnerable a target. The fact became palpable in every war from 1861 onward, but no attempt was made to find a substitute. All armies hopefully maintained cavalry, even though it became more obvious that cavalry could not maintain the necessary rate of advance. The way that hope triumphed over reason is aptly shown in the assertion before 1914 of the future Lord Haig: "Cavalry will have a larger sphere of action in future wars."

The war came. During it cavalry masses were brought up regularly before every offensive, waited during it, and went home after it—a war spectacle that was as pathetically ineffectual as is the peace queue outside an unemployment office. It might have been avoided by forethought, by re-creating cavalry in a modern form fit to match modern weapons—petrol-driven armored cavalry.

What has happened since the war? How far are the armies of today better fitted to cope with these prob-

lems of the break-in and the break-through?

In artillery there has been progress in the range and rate of fire, partly through better buffer systems to absorb the recoil; there has been a development of high-explosive shell, to the disuse of shrapnel, and particularly of armor-piercing shell; also of smoke shell, although the proportion of smoke to high explosive is inadequate to the need; there has been the introduction of the split trail and of various turntable mountings which enable the gun to be aligned quicker in a fresh direction; there has been the invention of weapons specially designed to combat tanks; there has been the addition of light howitzers, in pack, in draft, or mechanized, which can accompany and give close support to the infantry.

But the increase of fire support has not kept pace with the growth of fire resistance. No army today has anything approaching the proportion of artillery that it possessed in 1918. In the British Army it is reckoned that the whole artillery of the division would be required to provide a wartime barrage for one out of its twelve infantry battalions! What the other eleven are to do meantime, except sit quiet, no authority attempts to explain. But it is obvious that at least a year of munitions expansion would be required before artillery strength could be restored to its last war strength. Even then it would only restore the least efficient method of breaking in. We must look further than artillery for any attempt to meet the problems of another war.

What of gas? To consider it we must, perforce, assume that prohibitions against its use will go the way of most paper rules for war in the past. But if gas is used will it open the way for the advance of armies any better than artillery? Chemists seem to agree that the discovery of entirely new gases is unlikely and that future progress is likely to be along the line of producing variants of the main types of chemical compound already known. Of these the acute lung irritants, such as chlorine and phosgene —the essentially lethal gases—proved less effective than, and were gradually superseded by, the sensory irritant smokes, such as diphenyl chlorarsine, and vesicants, such as dichlorothyl sulphide, commonly known as mustard gas. The significance of this is that it not only had a more extensive and persistent effect, but instead of killing put men out of action for a time—a time long enough for the issue of a battle, or even a war, to be decided before they were fit again. The possibility of contaminating large areas with this blistering substance, and the fact that its effect does not develop until some hours after contact, make it as potent morally as physically, for no man, having passed through a contaminated area, knows whether he has not accidentally got a smear on his hands or clothing which will presently give rise to the dreaded blisters. Uneasiness is all the greater because one affected man may "infect" dozens of others before it is even known that he is affected.

But the supreme military significance of mustard gas is that it tends to strengthen defense far more than attack. It promises an extra powerful brake on armies whose powers of movement are at present very limited. To be secure against it an infantryman must wear not merely a respirator but a complete diver's suit, in which he could not move unless in a vehicle. If a man cannot move he can only fight in a post or trench—defensively. It is ominous that mustard gas and machine gun bear the same initials, for either "M. G." is a check to infantry, and the meaning of the two together would be best represented by a full stop. There is a certain irony in the fact that the proposals at Geneva to strengthen the defense at the expense of attack should include the prohibition of mustard gas!

But the most significant feature of

army evolution since the war has been the development of mechanical movement. It has taken two forms, which are often confused. The first is the development of motor transport to quicken the general movement of armies. Such "motorization," as it should correctly be termed, has already gone far, accelerated by the invention of the six-wheeler and other types of vehicle that can move across country as well as on the road. In the more up-to-date armies they have replaced horses in the transport service and for any emergency move they are utilized to carry troops. When disturbances occurred in Palestine the whole infantry garrison was hurriedly motorized with hired vehicles.

The other form is true "mechanization"—the use of armored fighting vehicles to assist and replace fighting men. Its purpose is not only, as in Bedford Forrest's dictum, "to get there first with the most men," but to fight with the most power—to gain a decisive advantage by having mechanical legs, a bullet-proof skin and heavier arms than an infantryman can carry.

The two countries which have been the leaders in mechanization are Britain and France. Their post-war goals, however, have differed. After the war most armies, under French influence, continued with the heavily armored type of tank which, being comparatively slow, was intended merely as a direct aid to the infantry in attack. But while the French concentrated on thickness of armor, the British sought greater mobility. The contrast was due to a difference of military problems and outlook. While French thoughts were on the home frontiers, the British were more concerned with the frontiers of empire and the recurrent problem of operations in a colonial war or insurrection. Here the opponents would lack powerful anti-tank guns; speed, reliability and agility would be the important needs, so long as the tanks were proof against bullets.

The British in consequence devel oped a new fast type, lightly armore weighing eleven tons instead of th war-time thirty, and capable of speed of about twenty miles an hou The fact that their high speed wa wasted and their risk augmented b tying them to the pace of infantry en couraged the idea of using them inde pendently.

Another factor was the rise of distinctively British school of though which perceived a wider horizon c mechanical warfare. The Britis argued that the tanks were the heir of the now moribund cavalry; tha tanks could be used, like the cavalr of old, for decisive manoeuvres agains the enemy's rear, cutting off his sup plies and menacing his line of retrea so that first paralysis and then pani might set in. Gradually these idea permeated the army, although ne equipment has been slower than ne thought.

In 1927, however, the new concep tion was sealed by the formation o an independent "Mechanized Force. At first it was handicapped, contrar to the views of its protagonists, b the inclusion of an assortment o merely motorized units, includin tractor-drawn artillery. This hybri form was copied by most of the for eign armies which tried similar ex periments, notably the American an the French, which have create "mobile divisions" to replace th former cavalry divisions.

But in Britain the arguments of th new school of thought at last pre vailed, helped by the experience o manoeuvre trials, and in 1931 the firs all-armored force or independen tank brigade was formed for training It comprised three battalions o mixed medium and light tanks. I 1931 a complete light-tank battalio was also added, equipped with th new-pattern machines which weig only three tons, attain a speed of ove thirty miles an hour, have a crew o two men and are armed with on machine gun. They are used, first t

reconnoitre for their big brothers and to distract the enemy's attention; second, to smother the enemy's anti-tank guns with a close-range stream of bullets, forming a "fire screen" through which the medium tanks are launched to the assault.

This tank brigade embodied a fire power, in guns and machine guns, greater than that of a whole infantry division of 20,000 men—a fire power that is for practical effect multiplied by armor and speed-protected mobility. More significant still, that fire power is wielded, the land armada manned, by a mere 650 men. If battles are won, as the pre-war pundits were always repeating, by the concentration of superior force at the decisive spot, certainly no other type of formation can so concentrate its force, which is fire force, at a spot as a tank brigade can. And in it lies also the only means of solving the problem of exploiting a breach into a break-through.

While this brigade represents concentrated force, in it also is concentrated the main interest of military development since the war, for outside it there is no significant change in the structure of armies. They are still the armies of 1914-1918, on a smaller peacetime scale and trained on almost the same deliberate methods, which means that even if they could advance they could not advance far enough to reach any decision.

Expressed mathematically, change in armies has usually moved at the same pace as change in the conditions of war, but several marches in the rear. In the last decade the pace of armies has quickened to a run. But the pace of scientific and mechanical progress has been revolutionized, not merely accelerated. Thereby the armies of today are as helpless, and their prospects as hopeless, as a portly policeman trying to catch a motor thief—the thief of time. The consequences may be even more simply expressed. The armies of 1914 had over two months of grace before they lapsed into the stagnation of trench warfare. Nowadays the proportion of machine guns and other automatic firearms has increased enormously.

It is thus a safe deduction and prediction that the armies of today would sink into trenches within a week—if they ever got to grips—for there is more than a possibility that these infantry bodies would be dispersed by air attack or hamstrung by the bombing of their transport while they were still groping forward.

The more one reflects upon the present type of armies, which is still the pre-war type with a few additions, the more do they appear like the stuffed museum effigy of some prehistoric monster—harmless if horrifying. Already easy to block by the machine-gun, and certain to be blocked if mustard gas be used, they are now liable to be hamstrung by mechanized forces, while air power makes their paralysis doubly — or quadruply— sure. The larger they are the easier they will be to starve by air bombardment of their lines and depots of supply.

If and when this unpalatable truth sinks into the minds of those who administer armies, and those who pay to maintain them, what will be done with the existing hordes of infantry? Will they be treated merely as a human reservoir for supplying machine-gunners to the ranks of a defensive position and to the tanks of a mobile force; or for filling up conquered territory with a flood of military "police"? Even these two residuary rôles may be restricted, for military opinion is gradually coming to realize that it is not economy of force to employ six men to manhandle one machine gun when, if placed in a small armored vehicle, two men can bring it into action and out, switch it quickly to any required sector and maintain fire while in movement, thus "multiplying force by velocity." And although even advanced military opinion still assumes that a crowd of infantry are necessary to play the "walking on"

part of occupying conquered territory, it is a reasonable suggestion that this might be controlled as effectively, and with less provocation to the inhabitants, by a sprinkling of engineers protected by tanks and aircraft, sitting at the sources of light, heat, power and water supplies.

For all these reasons the conversion of the residuary bulk of the infantry to more effective service is indicated. It may be conversion to other arms, to the manufacture of munitions or to other forms of inactive service.

But there is scope for a revived light infantry—a highly trained *corps d'élite*. If the number required would be small compared with the present overweighted scale, it would still be considerable. Although the decisive struggles of history have usually been fought in the plains, theatres of minor war include mountainous, wooded or otherwise difficult country where the man on foot, because of his unique locomobility, must still play an important part. Again, while the use of infantry to attack in typically bare or rolling country, which is predominant, is merely a homicidal enterprise, such country commonly contains areas where fighting men on foot are useful, if not essential.

These light infantry would go back to the American backwoodsmen for their rifle tactics. They would be stalkers and sharpshooters. But they would also make an advance upon the German infiltration tactics of 1918 by providing themselves with close fire support from machine-guns and mortars in handy little armored carriers. This dual trend indeed is being developed in the British Army experiments.

To re-create this higher grade infantry will mean a reduction of numbers but an exaltation of rôle. To be the picked light infantry of a modern mechanized army will be a higher distinction than to be the cannon-fodder mass. Indirectly, a reduction in numbers would contribute to mobility, for while no army can hope to provide sufficient mechanized transport for its present mass of infantry, it would be feasible with a smaller number.

Let us try to picture this army of the future. It would be grouped in two fighting parts with separate tactical functions—one a close-fighting part, composed of semi-mechanized infantry and the other a mobile fighting part, composed entirely of armored fighting vehicles. The close-fighting units would be employed to clear hilly and wooded country, to gain river-crossings, to evict the enemy from villages or trench systems, to occupy strategic points and to act as general handy men. The mobile fighting units would manoeuvre widely to turn the enemy's flanks and attack his lines of supply. If they encounter an enemy in a well-prepared position bristling with anti-tank guns, their tactics will probably be to harass the inert foe by fire while they cut off his supplies of food and ammunition, until he is driven either to surrender or to expose himself in an attempt to get away. When acting in direct combination, the close-fighting part of an army would be used to pin and paralyze the opponent while the mobile fighting part would carry out a decisive manoeuvre against his rear.

To estimate the duration of the change of armies to a mechanized form is impossible. But the longer it takes the more subsidiary will become the rôle of the army itself, for the air appears destined to be to armies what mechanized forces are to infantry.

Military organization at its several peaks in history has been based on the combination of a pivot and mobile wings. The first afforded the stability from which the decisive mobility of the second could be developed most effectively and securely. Thus did Alexander, Hannibal, Scipio, Marlborough and Frederick achieve their triumphs. The fact that the pivot was stable did not imply that it lacked offensive power or mobility—in fact, Alexander's phalanx, Scipio's legion and Frederick's Prussian foot pos-

sessed both—but only that it possessed these qualities in lower degree than the cavalry which struck the decisive blow.

Today the respective qualities of armies and air forces suggest a striking parallel. Armies have immense defensive stability by virtue of the machine gun, but have lost both their mobility and offensive power. Mechanization will restore these qualities in considerable degree, will raise armies that adopt it to the level of the Macedonian phalanx and the Roman *legion*. If they do not adopt it, they will be relegated, like the infantry of the Middle Ages, to the subordinate and passive rôle of mere garrison troops.

But the wider rôle of mobility and offensive power lies in the air. And the air force appears to be cast for the decisive rôle, as the heirs of Alexander's "Companion" cavalry.

Aircraft will strike not merely at the bases of the opposing army but at the munition centres on which it depends. It may also strike at more direct economic targets—the sources of raw material upon which the maintenance of both the enemy's military effort and his national life depend.

This reflection does not imply that civil resources, still less the terrorization of the people, will be the deliberate military aim at the outset of another war. Fear of neutral opinion is likely to be too strong a deterrent and will be reinforced by military habit. But it will be no longer possible to draw a clear distinction between military and civil objectives. This distinction in the past has rested far less on a legal definition than on the simple physical fact that the enemy's army was in the way and afforded a shield to the country behind. Now air forces can jump over this shield while mechanized forces can slip round it.

With the growth of social organization, of means of communication and of the interdependence of districts, the economic target has proportionately outgrown the military target. Just as strategy gained increased power, in comparison with tactics, when armies become dependent on lines of communication for their supply, so it has widened its scope through the dependence of nations on "lines of communication." The concentration of a modern nation's food supplies, as also now of its water, light and heat supplies; the complex web of its commerce and industry; the sense and fact of the interdependence of its centres of population—all combine to afford a wider sphere of influence and new ways of influencing the enemy's will.

To overthrow the enemy's armed forces may still be the quickest and most effectual way to cause the collapse of the enemy nation's will to resist, if it can be achieved. But the new civil conditions provide a far stronger argument against attempting it unless the military conditions are highly favorable to its success. The civil conditions give the strategist not only an alternative channel of action but an additional lever toward his military aims. By threatening economic objectives he may be able both to distract and dislocate the enemy's military dispositions, while the greater frequency and sensitiveness of such quasi-civil objectives make them more difficult to cover, and give him more opportunities to slip past the military shield and strike at them with decisive results. This potential development of strategy is greatly favored by the advent of the air weapon, which introduces a third dimension of movement, and thus incalculably enlarges the scope for surprise. Aircraft came endowed with a knight's move to supplement the military pawns and rooks on the chessboard of war.

German Class Lines Crumble

By Heinrich Simon

[A grandson of Leopold Sonneman who established the *Frankfurter Zeitung*, Dr. Simon is the present owner and editor-in-chief of that well-known newspaper and organ of German opinion. He is the author of a biographical study of his grandfather and has published in book form—*Arbeit Am Tage*, 1926-1931—his commentaries on many aspects of German life. Although the following article was written before the appointment on Jan. 30 of Adolf Hitler as Chancellor at the head of a new Cabinet, in succession to that of General Kurt von Schleicher, it contains an explanation of the conditions that made that event possible. For an account of this most recent change in the German situation, see the article in the "Month's World History" section of this magazine.]

THERE is one element in the history of post-war Germany of greater importance than all others that have affected the course of events since 1914. It is the psychological factor of insecurity which runs like a red thread through the web of events of the last eighteen years and has developed in the course of the varied phases through which the life of the nation has passed during this period—war, revolution, the new republic, inflation, the new wealth, reparations, unemployment. Its result has been social disintegration, a process that can be fully understood and appreciated only by those who have lived through it. On the other hand, those who have been directly involved in the struggles and sufferings of this period find it difficult to attain the right perspective to estimate the full extent of the social changes that have accompanied the decline of security. A person in constant attendance on an invalid is less able to measure the changes in his condition than the physician who makes only an occasional examination. Still we can distinguish certain symptoms on the chart of the German nation which are probably the result of the profound crisis of insecurity.

One of the most important consequences of this "revaluation of all values" that has accompanied the crisis is the disappearance of a clear differentiation of the people into classes. In a young country like the United States there has always been a certain indefiniteness and fluidity in class lines. It is true that today "the land of unlimited possibilities," as it has so often been called in Germany, has come to find its possibilities in some respects quite limited. But a democratic tradition still survives in America. Social standing is fixed by material success and personality, making transition from one class to another an easier and more rapid process than in "old Europe."

In Germany, up to the time of the war, social position was determined by other than purely material factors, though these played a considerable rôle. Society was divided into clearly defined classes. There were the great landlords, the military class, and the skilled workers who were separated from the unskilled not merely by a higher standard of wages but by a certain class distinction. All these classes had as a nucleus a stratum of families that were not new arrivals but had maintained the same social position for generations and gave a definite stamp and character to their whole class. They were the custodians and guardians of a tradition that had survived for generations if not centuries. In spite of the disastrous influence of the era of Kaiser Wilhelm II, which imposed a baroque veneer upon the more "solid" standards of

German society, the security of the established order helped to maintain the old class distinctions that were based to a large extent upon traditional standards of life. What is left of all this today? Almost nothing. Traditions may be very tenacious, but they cannot exist in the air. They are embodied in men. And the men are not there today to maintain them.

There was first the devastating effect of the war that destroyed the ablest by a process of negative selection. This was especially true of the military class and the nobility, which had a leading position in society before the war, not only in Prussia, but also in the other States, and through this had been able to hold the reins of power in the German State and extend its influence over the whole of Germany through the personal union of the Prussian monarchy and the German Empire. The war brought about the physical deterioration of this class; the new republic removed from places of power in the State that portion of it that survived, while the inflation completed its extinction by wiping out the great fortunes, though debts too were wiped out on a tremendous scale by the depreciation of the mark.

Paradoxically enough, it was the great landowner who was most heavily in debt and who operated consequently with foreign valuta that was best able to maintain himself in the face of inflation. Another case of negative selection! This advantageous position of landed property, largely a matter of chance, checked the process of dissolution of the large landed estates. In 1928 these estates (of more than 250 acres) still comprised more than 20 per cent of the agricultural land of Germany, though that proportion has since been considerably reduced.

The great landlords, or Junkers, particularly those who live in the districts of East Prussia which have been separated from the rest of Germany, are a hardy race. Serfdom survived in these districts until a century ago. Today in many parts it is still the custom for the servants to kiss the master's hand and that of his family, including the children. Since the war all the forces of resistance of this Junker race and all their instincts of self-preservation have been aroused by the ever-increasing pressure of the new Polish State, and the eyes of the whole German people are fixed on this struggle which has taken on a national character.

The influence of the great landlord class has thus been strengthened in spite of the physical and economic losses of the war and the post-war period. By tradition a ruling class, they have succeeded, in spite of their small numbers and in the face of the most unfavorable conditions, in maintaining themselves as a class and a leading element in society. To this result has contributed in no small degree their close personal relation with the head of the German State, President von Hindenburg, himself a landlord, and the liberator of East Prussia from the Russian invasion. It has undoubtedly been von Hindenburg's hope, in a period when all other ruling elements were being rapidly dissolved, to find in the Junker class the loyal support, energy and daring, required to carry through necessary reforms. This is the explanation of the von Papen episode, which remained only an episode because the Junker class under the conditions I have described has been so weakened that while it may still succeed in maintaining itself, it can never again stand as the representative of the interests of Germany as a whole.

"Never" is perhaps too strong a word to use in this connection. My grandfather, who founded the *Frankfurter Zeitung* seventy-five years ago, used to warn me that "journalists should never indulge in prophecy. They can afford to err at times in their estimate of the facts without losing the confidence of their readers, but never in the facts themselves."

With the facts of future development, however, it is another question. It is difficult to forecast. Events turn out contrary to expectations. So I should perhaps qualify the word "never" I have used with regard to Junker domination in Germany. There is always a possibility that in moments of national confusion and convulsion a small minority may succeed in seizing power. Hitler's misfortune, which may yet be his downfall, has been that he rallied too great numbers to his standard. But one can safely say that only in conditions of complete social chaos in Germany, when the country might fall prey to any coup, would a renaissance of Junker power be possible. In the normal course of events this class cannot escape the general process of social disintegration that has already set in.

The same may be said of other classes, the industrialists, the leading commercial elements, the bankers. Many of the oldest banking houses have not been able to survive the worst years of crisis. The influence of the State over the larger banks has been much strengthened and has brought with it certain changes in financial organization. The extension of government control and the restriction of the field of independent activity has proved discouraging to enterprise. The German banker of today approaches more the type of State official than that of independent business man. It is difficult to say whether the private banks may yet succeed in regaining their foothold as a result of this development. There are indications that this may be the result, but others point to the contrary. There may be a certain temporary improvement in the situation for private initiative in finance and industry, but this by no means presupposes a general new line of development in this direction.

It would be interesting to make a statistical examination of the professional inclinations of the younger generation of banking families. It is doubtful whether the sons of bankers today are much attached to the family tradition, for there is a new attitude toward money in Germany today. Money is the element that is most affected by insecurity. Certain values may rise in periods of great insecurity, for example, the value of art or religion. But with money the situation is entirely different. Money that is insecure has lost all reason for its existence. It loses its reputation as well when its value can be maintained only by tricks and manoeuvres. People begin to doubt whether an honest man can earn money at all. The "flight of capital" from Germany into other countries at the time of greatest distress because of high taxes made a very unfavorable impression. It was certainly no elevating spectacle from the national standpoint. Then, too, money naturally feels shame before the great misery of the lower classes. People who are able to travel first-class today prefer to travel second because their associates of yesterday are forced to travel third.

Possession of money has somehow become a source of embarrassment in Germany. One wants to have as little to do with it as possible. One hesitates even to take the responsibility of advising in money matters. The public still trembles at the thought of another period of inflation, unfounded as their fears may be. Financial articles that bristle with mysterious references to "inflation," "deflation," "extension of credit" and "redeflation" inevitably recall to the mind of the man in the street the period of real inflation.

And yet the people save, especially the small middle class—another indication of the indestructible optimism of the German people and its faith in its own future. The general feeling of insecurity with regard to money, this apparently most secure of values, may disappear with the liquidation of the crisis. At any rate in the present un-

stable conditions of the international money market it is easier than before for other countries to understand the situation in Germany when it took a billion paper marks to make one gold mark. Perhaps out of the confusion in the status of money since the war may come a blessing. Money may return to its original function as a means of payment for commodities and cease to be an end in itself. That is a question for the next hundred years to decide.

The industrialists and commercial elements in Germany today are in a situation similar to that of the bankers. But they have to deal not only with money but with commodities and their production and distribution to the consumer. What is happening to the class of producers? The *Frankfurter Zeitung* recently conducted an inquiry into the condition of the industrial middle class which produced some interesting results. It was an accepted idea a generation ago that industry in small and medium-sized establishments was doomed to extinction, and that large-scale machine production and State industry would constitute the forms of production of the future. This process was certainly accelerated by the conditions of industrial production during the war, when Germany was virtually in a state of siege. There are indications, however, that the disappearance of small industry will be neither so general nor so rapid a process as many economists anticipated.

First, with regard to hand labor, our inquiry showed that it had undergone certain changes. Some older types have died out, others have survived, while new forms have sprung up and flourished, fostered, strangely enough, by that same triumphal march of large-scale industry that was supposed to have doomed the handicrafts to extinction. For example, the electrical, automobile and radio industries, to name only a few of the large-scale industries of the recent period, have provided work for a great number of artisans, such as electricians, fitters and tool-makers. Elsewhere locksmith and tinsmith, baker and butcher have maintained their position.

The general conclusion may be drawn that while the scope of handicraft labor has been restricted in the productive process strictly speaking, it has nevertheless found new fields of activity in the finishing trades in repair and installation work, in commercial connections and the like, that more than compensate for the ground lost at other points. Handicraft labor is changing but not disappearing. About 3,500,000 persons were occupied as independent artisans in 1,500,000 establishments in 1925, while the number of those attached to these occupations as helpers, according to this inquiry, amounted to almost 8,000,000. All in all, therefore, more than 12 per cent of the German people live from hand labor.

Similar results are shown with regard to small and medium-sized enterprises which today, according to the industrial census, provide employment for from 35 to 40 per cent of the industrial wage earners of Germany. The same holds true of commerce. The large department stores transact less than 5 per cent of the business done in retail trade, the one-price stores about 1 per cent, while the business done by consumers' cooperatives lies between these two. The conclusion must be drawn from these figures that about 80 per cent of the retail distributive trade in Germany is in the hands of small dealers and not of great trusts, large enterprises or chain stores.

These figures give little indication of the conditions of life of the middle class, but they throw an interesting light on the class differentiation of the German people which has remained so "individualist" in character in spite of the triumphal march of the machine, of rationalization and trustification. The fact that this class of independent producers constitutes so large a part of the population is a fac-

tor of prime political importance. The desperate conditions to which it has been reduced by the tremendous restriction of consumption due to the crisis has made it a fertile recruiting ground for the Hitler movement. The very virtues of this class, its traditions of thrift and economy, incapacitate it for the present struggle. The limited perspective of the small middle class, artisans bound to their trade with every fiber of their being, small traders and producers, and their lack of mobility in adjusting themselves to new conditions make them an easy prey for a doctrine like that of the National Socialists which holds out the prospect of an immediate betterment of the conditions of the middle class through revolutionary political action.

A further factor in driving this class into the arms of Hitler has been the increasing power of the Social Democracy which has succeeded in the period since the war in greatly strengthening its position throughout Germany as the representative of the interests of labor. As a result, the network of wage-scales and agreements that bound the employers was widely extended during the period of temporary prosperity. In the period of declining prosperity and of the consequent tremendous reduction of consumption these restrictions became ever more irksome to the employers, especially the small employers. Hence the enthusiasm of this class for the "leader" who would break the "Marxist domination," and their readiness to join the hue and cry against the Jews, who were made the butt of all grievances.

The tremendous success of the Hitler movement can be understood only when one considers the important place which the so-called middle-class occupies in the population of Germany. The National Socialist movement, which is distinctly "Messianic" in spirit, has a peculiar appeal for this class precisely because of its narrow outlook and the great need and distress into which it has fallen du ing the last few years. As the ec nomic conditions of this class gre more and more desperate, they fe to an ever-increasing degree under tl spell of the sorcerer whose eloquen conjured up the realization of the dreams.

This process cannot continue indef nitely. There are indications that tl conviction is gaining ground in the circles that words are not deeds. is in this class too that one may e pect to find the first signs of retur ing confidence with an improveme of conditions, and the gradual disa pearance of the sense of insecurit The influence of the Hitler moveme will also decline quite naturall among these elements as econom conditions improve.

But one must remember that th movement is not confined to the i dustrial middle class. It has its mo devoted and fanatical supporters i another group, the intellectual an professional middle class, composed c government officials, teachers, cou try physicians and members of oth professions, who are suffering eve more than the business elements in t middle class from the overwhelmin financial burdens due to reparatio and to expenditures for social insu ance and unemployment. This cla has been greatly affected too by th restriction in personnel of official and government employes which bot States and municipalities have bee forced to carry through in order t meet their great and growing deficit In a still worse position are the yout of this class whose prospects of better education and a professional c official career have been blighted an whose future looks hopeless becaus the supply of labor in the profession far outruns the demand, and even th prospect of a job is a mere gamblin chance.

The psychological factor of greate political significance here is that th class which previously enjoyed th greatest security and which ha

ɩdapted itself to relatively easy and ɩure conditions of life is the one that s now confronted with the greatest ɩncertainty and insecurity. In the old lays the career of a government offi- ial might be compared in the matter of security to a good life insurance. Once within the bounds of this career here was a sure position for life, if one committed no offense, with the prospect of one's savings and a pen- ion for old age. The special condi- ions of this professional middle class, s in the case of the industrial middle lass, have made them peculiarly re- eptive to the arguments of Hitler. Then, too, they are bound directly or ndirectly to a State which controls heir livelihood, but to which they find t difficult for one reason or another o give their whole-hearted support. The present republic favored them nly at the outset. The old monarchy, o which they are attached by happy nemories, is a thing of the past. So hey tend today to choose the State of he future, the "third Reich" of Hitler.

An important element in the diffi- ulties of the professional middle class es in the bankruptcy of the States nd municipalities whose heavy bur- en of debt would prevent them from ncreasing their administrative appa- atus and personnel even if general conomic conditions should improve. The responsibility for this situation hey attribute to the Treaty of Ver- ailles and the conditions imposed pon Germany after the war by the ictorious powers. This interpretation f their own grievances will lead this lass for a considerable period to fol- ow a nationalist line in politics and o oppose the Weimar Republic.

And now what of the workers who ompose with their dependents 42 per ent of the population of Germany? ome of them had savings which they ost in the inflation period. All were rawn into the chase after the mark. hey lost then, along with the rest of he German people, all sense of the elations of money and value. A most nportant fact, the influence of which still appears in the disregard for small coin. Many have lost the desire to save in the "flight from the mark" and the "pursuit of commodities" which started during the inflation. In the boom period they had not regained confidence in money sufficiently to save. The "pursuit of commodities" continued and, paradoxically enough, forced the masses to adopt a higher standard of living and to spend a greater percentage of their income for clothes, underwear, furniture, &c., to meet their increased requirements. This explains the comparatively good outward appearance of the German workers today in the period of great- est misery and unemployment, which foreigners find so surprising. For this very reason the workers are all the more defenseless and unprepared, psychologically as well as materially, to meet the crisis of unemployment which has continued now for several years.

Most surprising of all is the fact that the workers have not turned en masse to that other panacea, commu- nism. For this the Social Democracy is probably largely responsible in using its traditional influence over the working class to hold it back from radical solutions. The German Social- ists have committed many errors in the years since the founding of the republic, and they have failed, in com- mon with all other parties, to build the republic on a firm foundation as the institution of the State that stands above parties while functioning through them, though the Social Democrat Ebert was a striking ex- ample of a party politician who was able to raise himself to the level of a leader of the people as a whole and above all parties. The Social Democ- racy has, however, rendered a historic service to the German State in resist- ing extreme radical measures at a time when these had a great appeal for the average man and in support- ing the "bourgeois" solution of Ger- many's problems.

What perspective confronts the Ger-

man people today? A people that has been cast by fate into this sea of uncertainty and insecurity, that has lived through a crisis of unparalleled severity, whose youth for the most part looks into a future without hope and prospect—a nation that is suffering from overpopulation (Germany is ten times more densely populated than the United States) and has no opportunity whatever for emigration! Has this people been so weakened spiritually and materially by the disaster that has overtaken it that there is no hope of recovery?

Many are inclined to this view, and there are many symptoms that support it. But the physician discerns also symptoms of a possible recovery. The patient has an extraordinarily good constitution. He still lives, he breathes, he hopes. In spite of all the suffering he has undergone he has succeeded with an elasticity and a capacity for adaptation almost beyond belief in meeting every situation as it arose. It seems as though this patient cannot die. Just as the sick body creates within itself the agencies that struggle against the poisons and germs of disease, so the German people in the course of the crisis through which it has passed has developed forces that renew its vitality. Mere existence has become a feat that calls out all the latent forces of the individual. If the process of selection operated during the war in a negative sense for the elimination of the fittest, it now operates positively for the survival of the fittest, the strongest, the ablest, the most intelligent. This is only relatively true, of course, for when the crisis and general misery have reached a certain point even the most able are not secure from destruction.

If the national or international situation held out some hope for the individual, some possibility that the present pathological social condition might be checked at its source—which is the sense of insecurity—then all that Germany has suffered in the past and the present might become a source of strength for the future. This future will in any case be deeply influenced by the experiences of the present period and the important changes in the structure of German society they have brought about.

Taxation Nears a Crisis

By WILLIAM B. MUNRO

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THE tax situation in the United States has reached a stage of seriousness which the average citizen does not appreciate. The burden of national, State and local taxes has become one of the most formidable obstacles in the path of economic recovery. Moreover, the trouble arises not merely from the weight of this burden, but from its grotesquely uneven distribution. The American tax system, if it can be called a system, is rapidly losing touch with capacity to pay. It bears too heavily on some, while others, far better able to bear the load, go virtually untouched.

Never before has so large a fraction of the country's earnings been commandeered by the tax collectors as is the case today. A few figures will illustrate the way in which the incubus has grown during the past three years. In 1929 the national income of the United States, that is, the net earnings of the entire population, was estimated to be about $85,000,000,000. Our total tax bill for that year was estimated at about $10,000,000,000. In other words, the entire tax levy of 1929, lumping together all Federal, State and local assessments, amounted to about 12 per cent of the national income. For the year 1932, on the other hand, this national income has dropped to about $40,000,000,000, or less than half what it was three years ago, while the total amount levied in taxes receded only about 10 per cent. It ran to almost $9,000,000,000 for the year, which means that it devoured over 20 per cent of the national income.

So large a drain on the nation's earning power cannot be regarded otherwise than as an almost insuperable handicap to business recovery. Our friends the exponents of technocracy have estimated that it takes about $10,000,000,000 to pay interest on the total debt-volume of the American people, as represented by government bonds of every kind, railroad and industrial bonds, mortgages, notes and bank loans. And they argue that, as the business of the country cannot possibly continue to squeeze so large an amount from its present emaciated earnings, some method of scaling down this interest annuity must be found. What they have omitted to point out, however, is that the country finds itself saddled with a tax burden of virtually equal proportions and that if any scaling down is to be done, here is the obvious place to begin.

Why has this tax burden grown so large? Why is it so unevenly distributed? Why is it so difficult to secure any reduction in the rates, no matter how insistent the taxpayers' demands may be?

The reason is that we have no accepted philosophy of taxation in the United States. We have established no boundaries between the jurisdictions of the various taxing authorities; we have reached no agreement as to what should be taxed, or when, or by whom, or how. For fifty years the framing of American tax laws has been a battle of the pressure-groups, each endeavoring to convince the legislators that the public welfare would be detrimentally affected by taxing them instead of somebody else.

In no other country are there two

sets of virtually independent taxing powers as here. With us, as every one knows, the power to tax is vested in the Federal Government and in the Legislatures of the forty-eight States. Both possess their powers in almost unrestricted form. The Federal Government has power to levy any form of taxation except poll taxes and taxes on real estate. Even these it may assess if it provides for an apportionment of the levy among the States according to population, as the Constitution requires. In practice the instrumentalities of State Government—such as municipal and State bonds—are also exempted from the taxing power of Congress. The States, on the other hand, may tax anything except imports, exports, and the agencies of the Federal Government. Moreover, they may delegate to their counties, cities and other political subdivisions any taxing authority which they themselves possess.

The inevitable consequence of this overlapping is that the two sets of taxing authorities have entered into a spirited competition with one another, each giving heed to its own necessities with scant regard for the fact that the taxpayer is being hit twice in the same place from different directions. The result is the imposition of a cumulative burden on the shoulders of every hapless citizen who is unlucky enough to come within the range of this cross-fire.

Now there is a fairly general agreement among economists that taxes should be levied in accordance with capacity to pay. But the capacity of the taxpayer to furnish funds for one branch of the government obviously depends upon the amount of taxation that is laid upon him by the other branch. His capacity to pay a heavy income tax and surtax on his net income to the Federal Government, for example, cannot be determined unless we know whether he is being similarly taxed by the authorities of his own State. Some States tax incomes and some do not. Some do not tax earned incomes but levy a tax on the value of intangible property. To be both equitable and efficient a tax system must be planned and coordinated. In the United States we are not doing either of these things.

Any tax taken by itself can be shown to be unjust. It will fall too heavily on some and on others not at all. This injustice has to be set right by the incidence of other taxes which exert their pressure differently. Thus the personal property tax and the income tax are supposed to ameliorate the tax burden on real estate by spreading the incidence of taxation more widely. Likewise the sales tax. Taken by itself, it is seriously objectionable because persons of small incomes have to bear more than their proportionate share of it, but if our tax system is considered as a whole, it is not objectionable at all. A small levy on general sales would broaden the tax base, and if properly articulated to the rest of a planned tax-system would give the whole structure a better balance. Wealth and income in all their forms should bear a just and proportional share of what it costs to govern the people. But this goal can never be achieved if we insist on considering each tax by itself, without reference to other taxes.

Yet the United States started out in 1787 with something akin to a tax philosophy. The framers of the Federal Constitution assumed that the national government would subsist on the proceeds of customs duties and a few excises. Those who drew the earliest State Constitutions, on the other hand, looked to the field of direct property taxation as the main source of State revenue. There was in the public mind at this time a broad differentiation between indirect and direct taxes which seemed clear enough under the conditions of the day but which has become steadily blurred by the complexities of industrial development during the past 150 years. The domain of indirect taxation has been so greatly widened by judi-

cial decision and otherwise that today nothing remains outside its boundaries except poll taxes and taxes on land.

During the discussions which preceded the adoption of the income tax amendment to the Federal Constitution twenty years ago it was argued that the national government should be given the right to tax incomes, from whatever source derived, because the States could not in the nature of things exploit this source of revenue effectively. There would be evasion by changes of legal residence. For a time after the amendment was adopted the States did give Congress a clear field in respect to the taxation of individual incomes.

But they seem no longer disposed to continue this policy. A number of them have already put income tax laws into effect and more of them are considering such action at their present legislative sessions. In the case of some incomes the existing State taxes are more burdensome than the Federal levy, so that even a relatively modest net income may have to yield as much as 10 per cent to the two sets of tax-gatherers. When Congressmen suggest that an 8 per cent normal tax upon the smallest taxable incomes would not be oppressive they should bear in mind that these same net earnings are also being taxed elsewhere and at rates which Congress has no power to limit or control.

So with taxes on estates and inheritances. Until 1916 this source of revenue was left to the States except on a few occasions of emergency. Then Congress invaded the field, partly to secure additional revenue, but partly also to compel a reduction in the size of swollen fortunes. The result is that estates or inheritances are now taxed from both quarters and sometimes heavily taxed. An inheritance, indeed, may be taxed several times—for example, by the Federal Government, by the State in which the decedent lived, by the State in which the property is located and by the State in which the securities have been kept. Each State has its own rates, and its own basis for determining them, both of which are usually adopted with little or no reference to what any other State is doing. The situation is so chaotic that the winding up of estates is often interminably delayed while matters of tax liability are being decided by the slow-moving authorities. Nowhere else does the absence of a planned tax system for the whole country show itself so conspicuously as here.

Apparently we are going to develop a similar situation as respects the taxation of sales. Both Congress and the State Legislatures have constitutional power to impose excises, and a general sales tax is merely an excise writ large. If one of them imposes such a tax and it proves successful the other will inevitably follow suit; we know that from experience. Fourteen years ago the Legislature of Oregon hit upon the idea of a gasoline tax. Here was a fruitful source of revenue, at one cent per gallon, which could be utilized in the building of State highways. The new tax proved easy to levy, economical to collect, difficult to evade, and lucrative beyond the most sanguine of legislative expectations. Within a short time, therefore, every State in the Union followed Oregon's example, but with rates ranging from one to seven cents per gallon. Florida and Tennessee now impose a tax at the latter rate.

What a windfall these gasoline taxes have been to the hungry exchequers of the States! Last year they yielded to the forty-eight Commonwealths nearly $600,000,000. In addition some States allow their counties and cities to levy gasoline taxes also, so that the cumulative tax burden upon a gallon of gasoline, before it gets into the automobile tank, is sometimes eight or ten cents.

With all the States using this form of taxation so voraciously, it might have been thought that Congress would leave it alone. Not so, however. In the billion-dollar tax bill of 1932 the Federal authorities put their

own one cent per gallon on top of the State excises. Care was taken, however, to explain this action as a temporary and emergency measure, with the assurance that Congress had no idea of making gasoline taxes a permanent source of national revenue. But it has already become apparent that the Federal tax will be continued indefinitely and there need be no surprise if the rate is increased.

Meanwhile the States have their own way of answering this challenge to the integrity of their tax areas, namely, by a counter-invasion of the regular excise field—cigars, cigarettes, and so on—which the national government has for a century arrogated to itself. The list of commodities on which various States are now levying excises or sales taxes is widening year by year. It will keep broadening with their financial exigencies until the final step to a general sales tax is by no means a long one. Meanwhile Congress is not the only legislative body in the United States that has under consideration the proposal to establish immediately some more or less general sales tax. At least a dozen State Legislatures are wrestling with the proposition at the present time. So no one need delude himself into believing that if Congress at its present session refuses to accept the general sales tax as a means of getting Federal revenue the people of the country will be immune from such an impost. It probably means that the slouch-hatted Solons in our State Legislatures will rush in where the angels on the Potomac fear to tread. Then, as in the case of the gasoline tax, Congress will join the rear guard, in which case we may eventually have a series of double imposts under the name of sales taxes levied upon the whole range of marketable commodities.

In fact, one gives no considerable hostage to fortune in risking the prediction that unless some step is taken in the way of setting up definite boundaries between our two great agencies of tax jurisdiction every yard of cloth and spool of thread, every bottle of ink and sheet of paper, every pair of gloves or shoes sold in the United States will ultimately be called upon to pay a bifurcated tribute to our national and State treasuries. It can hardly be otherwise as long as we have no settled philosophy of taxation as respects a division between the nation and the States, but merely leave the great sources of public revenues as an arena of ruthless competition between the two.

To make matters worse, we have no philosophy of taxation as respects its purpose. Originally taxation was looked upon as a fiscal device, without any social purpose, but with the simple aim of providing a public revenue. Hence every tax was regarded as a necessary evil, the smaller the better. From that point of view the sole test applied to any proposed tax was whether it would give an adequate yield without unduly burdening the taxpayer. If a tax could be spread over a wide constituency, so that it would not fall heavily anywhere; if it could be economically collected and not easily evaded, and particularly if it could be levied so that people would pay without knowing it—then it was regarded as a good tax. In Adam Smith's famous canons of taxation, which every undergraduate student of economics is required to memorize, no account is taken of any considerations other than fiscal ones. These maxims represented the orthodox tax doctrines of a century ago.

In the course of time, however, the idea developed that taxation ought to have a social or regulative as well as a revenue-yielding purpose. This shift early made itself manifest in the matter of tariff duties, where the purpose of affording protection to home industries came to be recognized as one of equal importance with that of replenishing the Federal

Treasury. From the tariff, the emphasis on the regulative aspects of taxation gradually extended itself to the excise. Stiff taxes on alcoholic beverages and upon cigarettes were defended as a means of discouraging certain social habits which were deemed undesirable by considerable sections of the people. Then, in the framing of the laws which laid taxes on estates and incomes, the social purpose of taxation received more conspicuous recognition.

Today these tax rates, in their higher brackets, are not customarily justified on the ground that they produce substantial amounts in revenue. As a matter of fact, they bring in very little. But their existence on the statute book eases the consciences of those legislators who regard big fortunes and big incomes as a detriment in any democratic social order. The attempt to put a national tax on the products of child labor some years ago, to take an outstanding example of taxation with a social purpose, was not inspired by a desire for revenue but solely by the hope that in this indirect way the employment of children in industries could be eliminated.

To what extent, if at all, is it justifiable to use the taxing power of a government as a weapon of economic and social readjustment?

In theory it has a good deal of justification. Governments are vested with the chief responsibility for promoting social justice and for preventing any such inequitable distribution of wealth as might be a menace to the easy functioning of democratic rule. It goes without saying that a free government must be given the means of its own preservation, and great economic inequalities among the people are a menace to its existence. James Madison drew that fact to the attention of his countrymen nearly one hundred and fifty years ago. It is sound political theory, therefore, that goals of social well-being should be attained by using the tax mechanism if they cannot be reached in any other way.

But this is one of the matters upon which principle and practice do not always, or even usually, synchronize. When we say that a government has a right to promote the social well-being by regulative taxation, we are really saying, as a matter of practical politics, that any element which can gain control of the Legislature has a right to identify the public interest with its own and to serve itself by robbing others. We must not forget that the unfettered power to tax is the greatest single power that a government can possess. Having this, it needs no others. By the use of such authority it can fulfill anything, destroy anything; it can make the right to life, liberty and property a meaningless phrase. That is why the use of the tax system as a means of economic and social amelioration is something that should be constitutionally safeguarded against abuse. Thrown wide open it must inevitably result in the serious oppression of political minorities.

One of the safeguards now existing, so far as the confiscatory taxation of large incomes is concerned, has been provided through an implication of the Federal Constitution. By a famous judicial decision—McCullough v. Maryland—all obligations of the national government are exempt from the taxing power of States and municipalities. This exemption extends not only to the regular issues of national government bonds but to such other statutory instrumentalities of the national government as the bonds of Federal Land Banks and joint stock land banks. In addition, certain Liberty issues were sold to the public during the war period with a promise that they would be wholly or partially exempt from Federal taxation.

Likewise a very much larger total of State and municipal bond issues stand exempt from Federal taxation as a logical deduction from the rule

in McCulloch v. Maryland that, if the States are precluded from taxing an instrumentality of the national government, the latter, by the same line of reasoning, must be prevented from levying taxes on the instrumentalities of a State. At any rate, our legislative bodies have to face the awkward fact that there are billions of bond issues the income from which stands beyond their power to tax. This is a haven of refuge to which the large investor can flee if the income tax in its higher brackets seems likely to bear too heavily upon him.

In all other countries it is possible for Parliaments and Legislatures to lay very heavy taxes on large incomes with an assurance that such levies cannot be sidestepped, but will produce revenue in accordance with calculations made in advance. But the Congress of the United States cannot do this. It must reckon with the probability that every increase in the surtax rate, beyond a certain point, will merely drive a large but not-easily-calculable amount of taxable investments into the tax-exempt category. How large this category is at the present time cannot be accurately estimated, but since it includes not only all regular State and municipal bonds but all obligations of the myriad incorporated districts, improvement districts and special assessment districts with which the country is bedecked, the total must be stupendous. It is big enough, in any event, to provide the world's largest tax-dodgers' sanctuary.

It would be a long step in the right direction if we could eliminate tax-exempt securities of every kind, thus making all investments of whatever sort yield their proper contribution to the public revenues. To do this, however, would require an amendment to the Constitution forbidding all future issues of tax-exempt bonds, whether by the national government, the States or any political subdivision of a State. It will be suggested, of course, that such an amendment should broaden its application to the point of taking away exemptions enjoyed by State and local bonds already outstanding; but such retroactive constitutional legislation would be a breach of faith in the public mind and harmful in other ways. As respects future issues, however, there is everything to be said for a constitutional provision of this kind. Such an amendment would at least assure us that year by year the outstanding volume of tax-exempt securities would become steadily less and that eventually they would disappear altogether. We would have at least helped to solve a problem for the next generation.

The loudest protests today are not being directed, however, against the proposal to tax this or that, but against the idea of levying any new taxes at all. "I buy less food, less tobacco, less recreation," says the man who still holds his job, "and I would like to buy less government." There are millions of Americans who believe that they could get along with less government. But it is doubtful whether they are going to realize that wish, for the procedure employed by the public authorities in budget-making is just the reverse of that which the ordinary citizen has to use in his attempt to make both ends meet. You and I, in planning our expenditures for the year, must first figure what our incomes are likely to be. Then, if we hope to keep from insolvency, we plan to stay within the limits. When any sensible man's income falls, he cuts his expenses wherever the sacrifice seems least, and during the past three years a great many people have had to do this on a drastic scale.

But that is not the way in which governments proceed. Congress and the State Legislatures, County Commissioners and City Councils do not begin by determining that public expenditures must be trimmed into line with the existing revenues. Instead, they volubly explain that such action

would be impracticable; it would cripple the public services, add to the ranks of the unemployed and reduce the country's purchasing power. Reductions here and there they aver themselves willing to make, but for the greatest part they proceed to bridge the gap by piling on more taxes. Consequently the taxes go up at the very time that the people as a whole can least afford to have them go in that direction.

What, then, is needed in order to stem the steady march to chaos in American taxation?

I. An equitable division of the sources of public revenue between the nation and the States should be agreed upon. To leave the dual spheres unbounded as they are at present will inevitably mean a continued invasion from both sides until the disorganization becomes complete. The framers of the new German Constitution in 1919 realized the danger of leaving the tax jurisdictions unbounded, hence they made the following significant provision:

> The Reich may prescribe by law fundamental principles concerning the validity and mode of collection of State taxes, in order to prevent (a) injury to the revenues or to the trade relations of the Reich, (b) double taxation, (c) the imposition of excessive burdens, * * * (d) tax discriminations * * * and (e) export bounties.

In the United States, likewise, a constitutional amendment should be worked out by Congress and submitted to the States setting forth, with definiteness, the spheres of taxation reserved to each. For in no other way can taxes be justly articulated with capacity to pay. This same amendment should prohibit all future issues of tax-exempt public obligations.

II. We should develop a sense of caution with respect to the idea that a tax system is primarily an agency of economic and social readjustment. The prime purpose of taxation is, and ought to be, to provide a revenue. Incidentally it may be utilized to promote the general welfare in other ways, but the danger of its being transformed into a weapon of class oppression should never be overlooked. Few rebellions have been caused by the mere weight of taxation, but many have been due to the injustice of taxation, the American and French revolutions among them.

III. There is a serious need for a recognition of the fact that the planning of a sound tax system is no task for politicians. It is a complicated and difficult job requiring wide knowledge and a high degree of skill. Congress ought, therefore, to provide for the establishment of a permanent, nonpartisan Federal tax commission of experts whose function it would be to carry on research into the tax problem, to study the actual workings of the existing tax laws and to make recommendations for improving them. One of the duties of such a body should be to devise and present to Congress a plan for the equitable apportionment of tax jurisdiction between the nation and the States. Working in harmony with the National Tax Association, a Federal commission of this kind could hope to accomplish a good deal.

British Claims to Persian Oil

By A. M. Bouillon

[The author of the following article spent 1927 and 1928 in Persia as the principal engineer assistant of the Persian Government Railways. His knowledge of Persia gained at that time has been supplemented for the purposes of writing this article by information supplied by Frederick G. Clapp of New York City, formerly petroleum adviser to the Persian Government, and by correspondents in Persia.]

THE news sent from Teheran, the capital of Persia, on Nov. 26, 1932, that the Persian Government had that day canceled the D'Arcy concession and the contracts with the Anglo-Persian Oil Company immediately raised an issue of great importance. Not only did it involve the fate of the Anglo-Persian Oil Company, in which the British Government has a controlling interest, but also the fuel supply for part of the British navy and merchant marine. Moreover, the financial position of Persia is closely bound up with the exploitation of the nation's great oil fields. Because of the peculiar status of the Anglo-Persian Oil Company, an international incident was thus created whose solution would require careful handling.

Beginning north of Mosul in Iraq and extending in a southeasterly direction far into southern Persia is an oil-bearing belt, estimated to be about 150 miles wide and from 600 to 1,000 miles long. In this vast area, covering one of the greatest potential oil reserves in the world, four major producing fields have been developed. At the northern end are the Baba-Gurgur and other adjacent fields near Mosul and Kerkuk in Northern Iraq; the Naft-Khaneh field lies athwart the boundary between Persia and Iraq, while the Masjid-i-Suleiman field is about sixty-five miles northeast of Ahwaz and the Haft-Kel about sixty miles east of Ahwaz. The output of the two last-named fields, which are in Persia, is piped to the distillery at Abadan.

The existence of petroleum at various points in Southern Persia must have been common knowledge to the local inhabitants even several thousand years ago. Certainly from the dawn of history, it was used by them for various purposes. They applied it on their mud walls and boats; they used it to make fires, for certain uses in warfare and for healing sores, particularly on their beasts of burden. In the latter half of the nineteenth century, several efforts were made by various foreigners to explore and study the possibilities of developing the Persian oil fields, but it was not until 1901 that the first definite step was taken which, through successive and at times extremely difficult stages, led to their successful exploitation.

William Knox D'Arcy, an adventurous Englishman who had amassed a fortune in the gold fields of Australia, obtained in 1901 an oil concession for which he paid the Persian Government a sum equivalent to about $20,000. In return he was granted a sixty-year monopoly for the exploitation of petroleum, natural gas, asphalt and ozokerite, in a territory comprising approximately five-sixths of the total area of Persia and excluding only the five northern provinces. Thus, Persia, at the time ignorant of the treasure stored under the vast expanse of sterile land, ceded what have become extremely valuable exclusive rights for a sum that now appears negligible.

The D'Arcy Exploration Company, in carrying out investigations in various portions of its concession, had to



The Anglo-Persian oil fields

overcome many obstacles. For the first few years, apart from gathering information, little of practical value came from its work. But early in 1904 two wells drilled at Chiah Sourkh on the Persian border, about 100 miles south of Kermanshah, brought in a small amount of oil. Eventually the main efforts were centred in a stony, desolate valley in the foothills of the Bakhtiari Mountains, close to the ruins of an ancient temple called Masjid-i-Suleiman, meaning "Temple of Solomon." Here were many oil seepages and in May, 1908, came the well-earned reward—a gusher was brought in that spouted oil high over the derrick.

In 1909, a new organization, the Anglo-Persian Oil Company, succeeded the D'Arcy Exploration Company. Other wells were brought in and absolute proof was established of the existence of an extensive oil field. The entire project embraced one of the largest single undertakings in the history of the oil industry.

Despite the severe handicaps of difficult transport, remoteness from sources of supply, intense Summer heat and the need to train native laborers who, while capable and willing, were unused to the work demanded of them, the great undertaking progressed. With the cooperation of the Persian Government and of its representatives on the ground, the skilled guidance and capable direction of the work, the patient and tactful handling that overcame embarrassing situations, coupled with the ability and willingness of both the Persian and foreign workers, the Anglo-Persian Oil Company constructed a vast plant, designed, built and operated upon scientific principles applied in a practical way.

Abadan, a point on the east shore of the Shatt-el-Arab estuary formed by the junction of the Karoun and Tigris Rivers, was selected as the most suitable site for the refinery and oil port. The easterly shore of this commodious inlet also defines the international boundary between Persia and Iraq. Thus the anomaly is presented of a ship lying in the territorial waters of Iraq while transferring cargo to or from Persian soil. Abadan is on a long narrow island about forty miles from the mouth of the estuary on the Persian Gulf. Except for a thin band of date plantations along the shore, the region is a vast sandy desert that extends from the seacoast to the distant foothills.

The size of the refining plant at Abadan may be gauged by the fact that it includes about 200 storage tanks—most of them with a capacity of 10,000 tons—shops, power houses, storehouses and spacious office buildings. Docks, warehouses and other

shipping facilities have been constructed; residential districts for the native and foreign employes have been built; streets have been laid out, sewers dug; churches, schools, hospitals, clubs and playing fields have appeared in what was only a waste. All has been scientifically conceived and carried out—a change close to the reputed home of Aladdin, whose lamp might be rubbed in vain to duplicate it.

Delivery of the oil from the Masjid-i-Suleiman field to the refinery at Abadan required the construction of a pipe line about 145 miles long. The material for this work was unloaded from freight steamers at Mohammerah and there transferred to barges for distribution at convenient points along the Karoun River. Material and equipment destined beyond Ahwaz had to be portaged over land for three miles to avoid rapids in the river. To reach the field thirty miles northeast of the northern terminus of the water route required transport by mule caravans over a stony trail. Today good roads and a narrow gauge railway connect these two points. After leaving the basin of the oil fields, the pipe line crosses two summits, where the maximum altitude is 1,300 feet—approximately 700 feet higher than the pumping station at Tembi.

The original pipe line was six inches in diameter over this hilly section and eight inches along the comparatively level sections of the desert. Distribution of the pipe was accomplished by teams of eight mules hauling jim wagons from the nearest river depot and by tandem teams along bad sections where wagons could not be used. The laying of the original line began in January, 1910, and was completed in June, 1911, including a difficult section 900 feet long at the crossing of the Bahmashir River that divides Abadan from the mainland. The maximum capacity of this line was about 9,000,000 gallons a month.

A second pipe line, ten inches in diameter, was begun early in 1914, but because of serious delays during the war was not completed until January, 1917. This unit increased the capacity to a total of about 35,000,000 gallons a month. In 1919 the original six-inch line was replaced by ten-inch pipe and three pumping units were installed, one at Mullasani, one at Kut Abdulla and the other at Dorquain, at approximately equal distances from each other and from both terminals. These accelerated the flow and thus greatly increased the quantity delivered at the refinery. Another line, twelve inches in diameter, was begun in 1921 and completed toward the end of 1922. The combined capacity had now reached a total of 5,000,000 tons a year. The substitution of more powerful pumps was expected to increase the total annual delivery to 7,400,000 tons.

While these improvements and additions were in progress, investigations were proceeding at other points. The new field known as Haft-Kel was developed. A twelve-inch gravity pipe line nearly sixty-one miles long, with a total fall of 1,400 feet, was built to Kut Abdulla, where it joins the older unit about sixty-seven miles north of Abadan. This branch forms the east arm of a Y, the west arm leading to Masjid and the stem south to Abadan.

The Persian field of Naft-Khaneh bestrides the international boundary between Persia and Iraq, about twenty-two miles southeast of Khanakin in Iraq. While several producing wells have been brought in on the Persian side, no trade outlet has yet been provided. Serious geographical and climatic difficulties must be overcome before delivery by pipe line to the scattered cities or trade centres on the high plateau beyond the mountains can be feasible. Viewed as a commercial enterprise, the construction of such a pipe line would be costly and out of all proportion with even the most optimistic estimates of revenue to be anticipated. However, this expenditure might well be justified because of future national exigencies. Such a reason has been the determin-

ing factor in many countries for the construction of strategic military railways, highways or harbors. Possibly, therefore, oil from Naft-Khaneh, or from some field yet to be discovered, will some day supply Persia's inland cities through a series of pipe lines and pumping stations. It is also possible that a friendly business agreement may be concluded by Persia, Iraq and the oil companies concerned to provide for the transport of oil from Persia across Iraq. Future developments might even justify piping across the desert to the Mediterranean.

Production in Iraq is carried on by the Khanakin Oil Company, a subsidiary of the Anglo-Persian Oil Company, and the oil is delivered to their refinery at Khanakin through a pipe line completed in 1926. As the producing wells in Iraq are close to the Persian border, some but a few hundred feet away, it is possible that a portion of the oil drawn may come from Persian sub-soil since the nearest Persian wells are only a mile and a half away. Even though these wells were producing at the same rate as those in Iraq, the division of the unseen oil reserves would, if exploited on a large scale, eventually strongly favor Iraq. There is, however, no need for alarm about such a possibility because of the present comparatively small output at Khanakin. It is also probable that this has been considered by the Anglo-Persian Oil Company in its financial dealings with the Persian Government. The first consideration, to find a marketable outlet for the oil from the Persian side, is still largely an unsolved problem at this point.

The reasons given for the canceling of the D'Arcy concession and for upsetting the basis for the great development which has been described may be summarized as follows:

1. The D'Arcy concession was granted under pressure.

2. The oil royalties are calculated in a manner unfair to Persia.

3. No payments of royalties were made to Persia during the war.

4. The Anglo-Persian Company has refused to permit Persian government auditors to verify its accounts.

5. The company has refused to pay income taxes to Persia.

6. The company has spent, and is still disbursing, large sums for oil or other investigations in foreign countries, charging these expenses to the Persian oil fields, thereby reducing the net profits upon which payment of Persia's royalties is based. Persia has no interest in any oil fields except her own and is thus indirectly compelled to contribute to the cost of explorations that are carried on in other countries.

7. The company has consistently maintained excessive prices for its refined products sold in Persia.

8. The company has not developed the oil fields in Persia as fully as it should. Instead, it has given preference to its enterprises or to those of its subsidiaries outside Persia.

9. The company invited cancellation of its contracts and concessions by refusing or ignoring the Persian Government's invitation last Summer to send representatives to Teheran to discuss the situation.

10. High salaries and excessive overhead costs of the company greatly reduce the net profits and Persia's allotted share.

11. Certain rights granted by the concession interfere with the sovereign rights of Persia in her own domain. Persia as a free and independent nation desires to remove this humiliating invasion of her right which has spread over five-sixths of her territory as though she were a vassal State.

Following notice of the annulment, Persia's Minister of Finance, speaking in the name of the Shah, announced that Persia stood ready to negotiate a new agreement with the company "based upon the rights of both parties." He added that "for the present the company's activities would

be permitted to continue without interruption."

Persia's action created a sensation in British Government circles, for it added a new and serious difficulty to the perplexing problems already confronting the Empire. Prompt recognition had to be given to this major threat to such vital interests on the road to India. From the mass of discussion and statement that arose, the following outline of the British position can be deduced:

1. The D'Arcy concession and contract with the Anglo-Persian Oil Company were negotiated by private parties with Persia purely as a private commercial enterprise. It was then, and for several years afterward, considered a costly and hazardous venture.

2. Great Britain became the controlling partner in the company in 1913, when it supplied needed capital to prevent this enterprise, built by British subjects and vital to the Empire's interests, from falling into foreign hands.

3. All the obligations contracted by the company have been fulfilled.

4. A heavy initial expenditure was required during the first seven years to carry on the explorations. The first producing well was brought in during May, 1908. Expenditures on a far larger scale were then required in order to construct the plants, pipe line, docks, roads, and so forth, and to provide housing and modern utilities for thousands of employes. The initial installation was completed in June, 1911, after the expenditure of large sums of money without the receipt of a single penny. Persia contributed no capital. Her claims for payment of royalties based upon alleged profits made by the company from 1905 onward, or six years before any oil could be refined and marketed, are obviously made in error.

5. Exploitation during the war had to be carried on at greatly increased cost amid the uncertainties and risks of warfare. In 1920 a supplementary agreement was reached whereby Persia received £1,000,000, accepting this sum in final settlement of all outstanding claims. The agreement also defined the basis under which future profits would be calculated.

6. While the company built several hundred miles of roads at its own expense, the Persian government imposed taxes on this work. The roads are largely used as public highways and the government was, in certain cases, saved the expense and necessity of their construction.

7. The present exploitation of the oil fields, as for several years past, provides steady employment for about 25,000 Persian subjects, apart from approximately 5,000 foreign employes, largely technical experts and trained mechanics. Vast sums of money are in this way spent in Persia, of direct benefit to that country, apart from the royalties that are paid to the Persian Government.

8. Other benefits to the workers, their families and adjacent population include modern installations of hospitals, schools of various grades, libraries, recreation clubs, water, sanitation and light services, dwellings for Persian and foreign employes, and so on, built by the Anglo-Persian Oil Company.

9. The cancellation disregards formal agreements signed by both parties, containing no provision for annulment by either side.

10. The recent decrease in net revenue of the Anglo-Persian Oil Company was due to the universal business depression, which has lowered prices, curtailed demand and brought aggressive competition in world markets everywhere, from which practically all business enterprises and governments the world over have suffered.

The British press bitterly reproached Persia. Some newspapers cited what they described as the traditional ingratitude and ungraciousness of Persia toward its best friends. Meanwhile, the dispute promised to add another bur-

den to those now weighing upon the League of Nations.

Undoubtedly Persia's action is largely the result of a new spirit of independence, intensified by the personality and progressive ideas of the present Shah, which is constantly expanding toward a broader nationalism. Its inspiration arose from the granting of a constitution in 1906 and was greatly furthered in 1925 by the accession to the throne of Reza Khan Pahlevi, the present Shah, after Parliament had deposed the last of the Kajar rulers. From then on a great impetus was given to Persia's desire to free herself from foreign domination. By abolishing capitulations in 1928, Persia made her courts and judges the sole arbiters of justice, in the case of both foreigners and natives. Thus, by canceling the D'Arcy concession and the subsequent contracts with the Anglo-Persian Oil Company, Persia took what she considers another broad step toward complete liberation.

Right or wrong—the question can be argued both ways—Persia's bold action has probably won throughout the world more sympathy than condemnation. The fact that the D'Arcy concession, granted in 1901, gave a British concern exclusive oil rights over the whole of Persia, except the five provinces bordering on Russia or Russian waters, was generally interpreted, whether correctly or not, as a master play by Great Britain against Russia for the eventual control of the destinies of Persia. At that period Persia was like a minor without a proper guardian. The government was hardly competent to grasp the ultimate possibilities of the rights it ceded to D'Arcy. The menace of Russia vanished with the rise of the Soviet Union. Today Russia has given to the world many proofs that it is no longer imperialistic. Persia possesses such proofs in the return by the Soviet Union of concessions exacted from Persia by the Czarist régime, including the section of a railway built to Tabriz by the Russians. This creates a fine example of unselfishness that is not without significance in the present turmoil.

With the removal of the threat in the north and thus, automatically, of the excuse for possible intervention in the south, settlement of the oil controversy can no doubt simmer down to a business transaction between owner and refiner. A new agreement can be drawn on a basis that will be fair to both sides, that will enable the Anglo-Persian Oil Company to continue its operations with its well-managed plant and superbly trained organization, and that will give Persia a greater share of the revenues.

Certain prominent nations have in the past two decades scrapped or repudiated formal treaties and financial obligations when these interfered with imperialistic aims or invited economic chaos. Several nations, including Great Britain, are even now negotiating for a revision of agreements on debts to the United States. Therefore, Persia has acted not without precedent. The fact that the oil contracts did not contain a cancellation clause no doubt inspired the necessity to annul them. Had the contracts contained such a safety valve it would have been possible to regulate and control a pressure that accumulated until it burst. Even so, a continued partnership between Persia and Great Britain—since the latter controls the oil company—would, of course, be the ideal solution for both sides. It would create a bulwark for peace and stability that would enable Persia to concentrate upon its program of betterment along the lines of modern progress.

The Technocratic Terror

By THOMAS NIXON CARVER

[The author of the following article was for many years Professor of Political Economy at Harvard University. Among his many works are *Principles of National Economy* and *This Economic World*. His present article supplements the contribution by Allen Raymond, "Technocracy Offers a Cure," which appeared in February CURRENT HISTORY.]

LABOR-SAVING machines, driven by mechanical power, have long been feared as the enemies of labor. It is obvious that men are displaced by machines. The results are visible. It is not so obvious that the men who are displaced are sooner or later re-employed or reabsorbed somewhere in our industrial system. The results of this reabsorption are not so visible. In hard times, when the reabsorption slows down or stops altogether, the machine is blamed for unemployment. We forget to inquire why workers are not reabsorbed as they were when times were good.

Recently this terror of the machine has broken out in a new form, or at least is expressed in a new jargon. The fear of overproduction or underconsumption—which means the same thing—has broken out periodically ever since the invention of the steam engine. A few years ago it advertised itself as the menace of plenty. Then we began to hear about technological unemployment. Now we are hearing a great deal about technocracy. There is a half truth in all these ideas. The danger is that we may mistake half truths for whole truths.

Back of the machine is the power which drives it. The use of other power than that developed in the human body and exercised through human muscles is the most striking fact in our civilization. It is peculiar to Asia and Europe. It began very early among the people of these two continents. Animal, wind and water power was used by these people before there were historical records. Gunpowder came fairly early in modern times. Except for the llama, used to a limited extent as a pack animal by the Peruvians, no race outside Asia and Europe ever used any primary power except that of their own muscles, until they were taught by Asiatics or Europeans. Ours is, and has been from the beginning, a power civilization.

The use of gunpowder effected a political revolution by destroying the authority of a professional fighting class who were rich enough to ride horses, wear armor and to live in castles. The horse, a source of non-human power, and gunpowder, another source, enabled Asiatics and Europeans to spread their civilization to the other three continents. When our branch of the human race learned how to use the cheap power stored in our coal beds it produced what is still called an industrial revolution. More recently we have learned to use another vast source of power, petroleum, and this is producing another so-called revolution. There is no record to show what kind of revolutions resulted from the yoking of the ox, the taming of the elephant or the breeding of large draft horses in the region of the North Sea. Animal power has played a large part in giving our branch of the human race its economic as well as its military supremacy. We may get some idea of the importance of animal power in this country by recalling that, down to the census of 1900, our animal power, in the form of work horses, mules and oxen, exceeded that of all our steam engines. On our farms alone they supplied a volume of power

equal to that of 200,000,000 men, assuming that one horse was equal to ten men. This volume of power was about forty times that of our working farmers. In short, the use of power on a fairly large scale is not a new thing. More of it is being used than formerly, but no new economic principle has been introduced. There is no reason why the same economic system which made possible those earlier extensions of the use of power may not survive and use these new sources.

All these so-called revolutions which resulted from the use of new sources of power left the market economy intact. They merely changed mechanical processes, but did not destroy the price system. They did, however, breed discontent with the price system. There was a great deal of talk about a more fundamental revolution which would destroy the market economy, with its price and wage systems, particularly the wage system, and substitute a somewhat more mechanical system.

The reason for this is not hard to see. Under the market economy those who have only muscular power to sell must sell it in competition with mechanical power. Coal and petroleum are cheaper sources of power than human food. This makes muscular power so cheap as to make it difficult for the muscular laborer to buy food with the price of his labor. Those who can do things that machines cannot do escape that kind of competition and are benefited by the use of machines. They get the benefit of the cheap power and do not have to sell their labor in competition with it. Those who have only muscular power and manual dexterity to sell have reason to fear the machine; others do not.

The obvious remedy is to abolish neither the machine nor the market economy but, first, to develop an educational system which will give every one except the feeble-minded something to sell besides muscular power and manual dexterity, and, second, to take care of the feeble-minded outside the industrial system, that is, in institutions. We could also stop importing the kind of labor which has only muscular power and manual dexterity to sell. In other words, we could exclude all immigrant labor except that which possesses a kind of skill which does not have to compete with machines. If we can eliminate or greatly reduce the number of those who have only muscular power and manual dexterity to sell we shall have none that are permanently injured by machine competition. It will not then be considered necessary to revolutionize our economic system for the benefit of those who have only muscular power and manual dexterity to sell.

Obvious as these remedies seem to most of us, they make no appeal to a certain type of revolutionist. Those who are obsessed with the idea of the dictatorship of the proletariat, that is, of the class of workmen who have only muscular power and manual dexterity to sell, who apparently believe in the divine right of the feeble-minded and the near feeble-minded to beget their own kind in unlimited numbers and who insist on building an economic system which will relieve them of the penalties of unrestrained masculine lust, will take no interest in this type of reform. Closing their eyes to the most fundamental of all economic questions, those of population and of occupational congestion, refusing to consider the possibilities of population control and of the occupational redistribution of our workers, they will still insist on reorganizing our economic system in the interest of those who in their dominant characteristics are like rabbits and guinea pigs.

So long as the market economy exists, the law of supply and demand will prevail. Some will be able to sell their products or their labor at high prices and others only at low prices. Some will be richer than others, even though the others are richer than men have ever been under any other economic system. Inequality seems to such revolutionists so undesirable that

t must be destroyed even if it means eveling downward to an equality with he most reckless breeders and the nost imprudent consumers. In the inerest of the masses of muscular laborrs, they contend, we must either halt nechanical progress or abolish the narket economy because the two are ncompatible. On examination, however, they are incompatible only from he standpoint of those who have only nuscular power or manual dexterity o sell.

The market economy goes with what s commonly understood as freedom. t can only be abolished by authority acked up by force. This authority acked up by force may be exercised ither by gangsters or by government. et men alone, suppress violence and raud so that they can pursue their wn interests in peaceful and honest ays, and they will buy and sell. They ven insist on buying and selling what s forbidden by law. Democracy flourshes only where the individual is free o pursue his own economic interests y contributing to those of some one lse who possesses the same freedom nd is willing to reciprocate.

It is probably more than a coincience that the freest countries are hose in which technological progress as been most rapid. Inventiveness nd enterprise do not flourish in an tmosphere of obedience. They belong, s by a law of nature, to a system of dividual initiative, where the method f trial and error can be applied by illions of people to thousands of new rojects. They are blighted by the retrictions of a military machine or a ureaucratic government. Even in the rt of war the great epoch-making inentions have been made by civilians nd not by military men. Gunpowder nd other high explosives, airplanes, nks, even poison gases, were contribted by men who were free to carry n foolish experiments without waitg for permission from some one in uthority. Technological progress, far om being incompatible with the sysm of free enterprise and individual initiative, is not compatible with anything else.

We are now being told, however, that whatever may have been true in the past, a stage has been reached in which technological progress is about to destroy the social system which made it possible. Profit seeking by private individuals, it is said, has led to such intense competition in the development of cheaper and more efficient processes of production as to make profits impossible except where competition is suspended. Competition is suspended by monopolistic control, by suppressing new inventions, by price-maintenance policies, by patent rights and trade secrets. Where these methods of suspending competition are impossible, such rapid progress is made in the development of power-driven machinery and in tapping new sources of power to drive that machinery as to make profits impossible. Since, it is further argued, profits are the stimulus to enterprise, when profits cease enterprise dies and there is wholesale unemployment. Thus technological progress destroys the very motive which brought it into being.

It is something to admit that free enterprise and individual initiative are responsible at least for the early stages of technological progress. Our economic system has at least that much to its credit. It has solved, once and for all, the problem of scarcity. Is it possible that a system which has accomplished such a unique task has destroyed itself in the process? Must we, in sheer desperation, now turn to a system which stifles enterprise and invention in order that our power to consume may catch up with our power to produce? Or shall we, as others suggest, adopt the twenty-five-hour week?

The doctrine that the system of private property and individual enterprise, sometimes called capitalism, carries within itself the seeds of its own destruction is not new. It has appeared in various forms and has been expressed in various jargons. It has recently appeared under the name of

technocracy, accompanied by a number of new terms. The word "technocracy" was preceded by the term "technological unemployment," which has been current since 1929. The same idea, however, has appeared in every period of depression, at least since 1873. Men have been displaced by machines at a pretty steady rate ever since the invention of the steam engine. They have been reabsorbed into industry; that is, re-employed, more or less promptly—more promptly in good times, less promptly in bad times, in very bad times not at all. During good times when the men who are displaced by machines are reabsorbed rather promptly we hear little about technological unemployment or its equivalent. Yet men are displaced by machines in good times as well as in bad. An instantaneous photograph or a statistical description of a given day would show considerable numbers unemployed, having been displaced by machines and not yet re-employed. In bad times when men are not promptly reabsorbed the numbers accumulate. Then we hear about the displacement of men by machines in spite of the fact that the rate of displacement is no more rapid than in good times. The increase in the number of the unemployed is the result of the slow rate of reabsorption.

The reason why displaced men are reabsorbed in good times and slowly or not at all in bad times must be sought not in the unevenness in the rate of technological progress but in the instability of our credit system. If the trouble is wholly or even primarily technological, we should expect to find that technological improvement comes by fits and starts. This has never been shown. If the trouble is primarily in our credit system, we should expect to find great instability there—to find that credit expands and contracts violently. Such is known to be the case. On the face of things, therefore, it looks as though the trouble were in our system of credit.

Again, if the trouble were primarily technological we should expect to find that the majority of the unemployed are those whose work can be done by machines. Such is not the case. They include all kinds of workers, mental as well as manual—merchants, managers, salesmen, statisticians, accountants, bookkeepers, clerks, engineers, teachers and multitudes of others who never could be replaced by machines. If the trouble arose from a shrinkage of purchasing power resulting from collapse of credit, we should expect it to affect all occupations alike and not merely those whose work can be done by machines. All occupations except that of gold mining *are* affected alike. It is in manufacturing that machines are most likely to displace labor. Yet, even in 1927, at the height of the boom, the total number of wage earners in all our manufactures was only about 8,330,000. Our unemployed at the present time exceeds that number by a considerable margin. Not a very large percentage of these could have been displaced by machines.

The only large factor in the present situation which can be properly called technological is the enormous increase in the use of petroleum and its products as motor fuel. It has affected the farm situation in two ways. In the first place it has greatly reduced the demand for the horse, which has been called a hay motor, and for hay, corn and oats as motor fuel. This has cut off two important sources of farm income. In the second place, the use of the tractor has increased the productive power of labor on the farms and tended to increase production. Of these two factors, the first is by far the more important, but the combination of decreased demand and increased production has brought disaster to the farmers of the Northwest. This new motor fuel has also dislocated the coal mining industry. Thus two basic industries have been crippled by their new competitor.

Those changes of fashion which have substituted other textiles for cotton to the injury of the cotton

grower can scarcely be called technological improvements. Another factor which has helped to depress the cotton industry is the wholesale use of cheap Mexican labor in the great cotton fields of West Texas. The rest of the cotton belt, especially that east of the Mississippi River, has suffered from this competition of cheap peon labor more than from competition with any machine. Cheap Filipino labor added to cheap Mexican labor in the sugar-beet and truck farms of the Southwest has depressed the sugar and truck industries in the rest of the country besides throwing American labor out of work in the Southwest. These certainly are not technological improvements.

Why do those who call themselves technocrats try to scare us into believing that our present economic system is doomed by the machine? The wish is probably father to the thought. If the source of our present economic difficulties is financial rather than technological, if it is to be found in the terrific disturbance of the world's credit by war debts, inflated and deflated currencies, wildcat banking, instalment selling and wholesale speculation, then we may expect to grow out of this depression as we have grown out of others. If, on the other hand, there is something inherent in our economic system which leads to its own collapse we may not outgrow our difficulties; they will outgrow us until we are forced to make a fundamental change either by a violent revolution or by voluntary action.

It is not improbable that a considerable number in the aggregate would be benefited by a revolution. No economic system whatever can be absolutely the best one for each and every individual. Those who have only muscular power to sell and have to sell it in competition with cheap mechanical power must necessarily be poor in any market economy. Their freedom to sell their own labor may mean merely the freedom to go hungry. A person in this situation might advantageously trade such semblance of freedom as he has in return for regular rations. If 51 per cent of our people should ever find themselves in that situation, with no chance of improvement, we shall undoubtedly have a revolution and change from a market economy to a system of licensing and rationing or something worse. If we can keep the numbers of such people small enough, a revolution will be impossible. So long as a majority of the people can be comfortable under the market economy they will prefer it to any system based on authority and obedience.

Technocrats, in common with Marxians, assume that what is true of those who have only muscular power to sell must be true of the great mass of the people. They all overlook the fact that the masses are better off in capitalistic than in non-capitalistic countries, better off in countries where machine production is far advanced than in countries where it is backward. They also overlook the fact that a communistic revolution came first in a non-capitalistic country where machine production was very backward and where at the same time the masses of the people were exceedingly poor. They also overlook the fact that communism has its best opportunity to spread, and is in fact actually spreading, only in countries where capitalism and machine production are least in evidence and where the masses of the people are worse off than in any capitalistic country.

As a matter of fact, technocracy is only a development of Marxism with a slightly changed terminology. In some respects it is an improvement and in others not. Marx accepted the labor theory of value; technocracy regards human labor as only one form of energy, and, in these days, a minor form at that. It, therefore, substitutes energy in general for "human labor in the abstract"—to use Marx's expression—as the true basis of value. Marx was never able to stick rigidly to his labor theory of value, but was

forced to surrender it from time to time and swing over to the utility theory. He had to admit that, no matter how much labor a thing had cost, if it had no utility it had no value. The labor that produced it simply did not count as labor. Technocracy does not permit itself to be troubled by such difficulties.

Otherwise both theories are equally absurd. The value of a thing depends, not on how much energy, human or other, it takes to produce it, but on how much it is desired in relation to other things. Its desirability would determine the value of a given unit of energy as definitely as it determines the value of an ounce of gold. The mere fact that a given unit of energy is always the same would not make its value always the same. An ounce of gold always weighs the same. This is quite as significant as the fact that a given unit of energy does not change. When the desirability either of a given unit of energy or a given weight of gold changes in relation to other things, its value will change, however unchanging its potential energy or its weight may be.

Energy, as the technocrats and the physicists use the term, is the power to move matter. Value, on the other hand, is the power to motivate men. It motivates them by appealing to their desires. The physicist knows that the energy which he studies has nothing to do with value except as men desire it. The technocrat apparently has not learned that fact. Economics is concerned with motivating men, technology with moving matter. An economic system is a system of motivation; technocrats, as such, know no more about motivating men than economists, as such, know about the technology of moving matter.

Technocrats, like Communists, have a peculiar abhorrence of profits. Profits, like wages and salaries, are a form of motivation. The profit-taker receives a contingent income; others receive contractual incomes. In a free country men are generally motivated by the prospect of getting something which they desire or upon which they place a value. The more intensely they desire a thing, or the higher the value they place upon it, the more powerfully it motivates them. When their only chance of getting that upon which they place a high value is to contribute something on which someone else places a high value, we have a powerful, all-around system of motivation applying to everybody. Everyone has a powerful motive for trying to do that which is highly valued. If a machine can do a given kind of work very cheaply no one will have a very strong motive for trying to do the same kind of work. He will try to avoid it and find something else to do which a machine cannot do. Change the system and offer men high wages for doing what machines can do just as well, and no one will have any reason for trying to do something else.

It is a natural propensity for those who are receiving contractual incomes, guaranteed by somebody else, to think themselves very important. When their numbers vastly exceed those who receive contingent incomes, namely the profit-takers, the majority may solemnly vote themselves to be very superior persons, the real producers of wealth, and their guarantors to be rather inferior persons, parasites, and so forth and so on. Technocracy has put this argument in a new and confusing form. As a matter of fact, if there is any difference, those who are willing to take chances on a contingent income, to start enterprises and pay contractual incomes in the form of wages, salaries, interest and rent, receiving for themselves only what is left over after all contractual incomes are paid, are the real producers, the men who bring things to pass, and their incomes the most legitimate of all. The whole technocratic argument thus boils down to a demagogical trick designed to confuse the popular mind with a new jargon and convince people of that which is not true.

Tangier: A Test in Internationalism

By JOHN R. TUNIS

[In the course of extensive travels dur-ıg which he studied various aspects of ıodern civilization in America and broad, Mr. Tunis has on two occasions sited Tangier. His more recent stay in ıe city which he describes in the follow-ıg article lasted two months.]

AT the extreme northwestern corner of Africa, at the door of the assage between the Atlantic and the [editerranean—the most important ıaritime crossing in the world—:ands the city of Tangier. Tangier ıe white, governed by half a dozen ıces, subject to none, is a strange lace, even in the strange land of Mo-)cco, which is divided into three arts—the French zone in the south, ıe Spanish zone in the north, and the angier zone, or, to give it the full ame, the internationally adminis-:red zone of the Sheerifian Empire, ι the west.

Whoever holds Tangier holds a nife pointed straight at the heart of ibraltar looming in the dim distance) the northeast. Whoever holds Tan-ier holds the key to the Mediterra-ean, to Malta and Egypt, to the Suez anal and India and the British pos-:ssions in the eastern seas. Small onder, therefore, that all the great)wers have fought, bargained, traf-cked and schemed to hold it, tried to)ntrol it by conquest or purchase or cchange. Not one but a dozen differ-ıt countries have ruled in that gray-h red Kasbah which looks across the ater to the green shores of Andalu-a. But in the end Great Britain)rced the internationalization of Tan-ier.

The reasons are apparent. As long s Britain holds Gibraltar and the :rait she holds Egypt and India, rovided, however, that no strong power holds Tangier. For a century Great Britain preferred a weak government in the city, but such a government invariably meant brigandage, outlawry and disorder, both in the port and in the hinterland. Such conditions curtailed trade and business, something no one, least of all Englishmen, wanted. What, therefore, would be more natural than a strongly protected city, ruled not by a single nation but by several powers acting in concert?

In 1911 Sir Edward Grey first proposed to the French Foreign Minister that Tangier and a strip of land around the city should be internationalized in the general interests of the world. Two years later an agreement between Great Britain, France and Spain prepared the way for the adoption of the famous statute of 1923, which provided for the internationalization of Tangier. In 1928 Italy was admitted to this concert of powers. The statute provided for a committee of control composed of the resident consuls of the great powers, who appoint the members of the Legislative Assembly from among their own nationals. Thus, the Spanish Consul nominates the four Spanish members, the French Consul the four French members, the British Consul the three British members, while the Mendoub, the direct representative of the Shereef, who is located in Tangier to protect Moslem interests, appoints the Mohammedan and Jewish members. The Assembly in turn elects an administrator for a period of six years, as well as three assistant administrators, all of different nationalities. The committee of control is a legislative body, which can veto or dissolve the Assembly, though such action is rare.

The police force and gendarmerie are under the direction of foreign officers, while a mixed tribunal, composed of judges of various nationalities, has been set up.

Tangier, therefore, has been internationalized; but exactly what does that mean? It means simply that in a city of 75,000 inhabitants, with French, Spanish, Italians, Portuguese, Jews, Levantines and Mohammedans living and working together, the controlling authority is in the hands not of one but of a dozen nationalities. Not all nations are equally represented, but not all are equally interested.

The statute has now been in effect, which is to say that Tangier has been officially internationalized, for almost ten years. The term of the first administrator has finished. It is time to review the work accomplished, to ask whether in this instance the government established is to the best interests of all concerned, whether the natives of Tangier support and approve the system, whether internationalization is a possibility for political organisms in the modern world.

Only those who remember Tangier twenty-five years ago can appreciate the changes that have occurred under international control. In 1907 the packet from Gibraltar anchored offshore and the traveler was tossed and pitched about helplessly in a small rowboat until he approached the beach, where burly natives, with their trousers rolled up, waded out through the surf and carried him to land in their arms. He mounted a donkey and, jolted and bumped by cobblestones and pot-holes, rode through a small, dingy but picturesque city of narrow, foul-smelling passages. Police protection hardly existed, and it was unsafe to venture forth at night. The town had no sanitation, no street-cleaning department, no abattoir, no first-class hotel. Now all this has changed. In large measure the credit must go to the international administration.

Today your boat anchors behind a long breakwater, and passengers go ashore in a tender, even in the roughest weather. Lamps light the narrow but clean, well-paved streets of the native quarter. The water supply is excellent; the various civic services function admirably; a large and up-to-date abattoir has been built and is under competent supervision; hospitals and clinics have been constructed. Today any one can wander wherever he pleases after dark with more security than in most American cities. There is a really first-class hotel; trains and buses connect the town with Tetuan and the Spanish zone, with Fez and the French zone. The newer part of the city has been beautifully laid out by the architectural genius who built the new parts of Rabat and Casablanca, and a wide esplanade now winds along the crescent harbor beside the seafront where one looks across the Strait to Spain.

The zone of Tangier includes only the city with its 75,000 inhabitants and about 140 square miles between the mountains and the coast. Unfortunately, this territory is unproductive agriculturally, and the town itself is not a manufacturing centre. Fishing and the tourist trade are its only industries, and Tangier for this reason has nothing to export but a great deal to import. Even with the aid of the tobacco factory, which is a government monopoly, balancing the budget of this international orphan is at best a difficult task; it is made more so by the various fixed charges against the finances of the administration.

On the few miles of the single railway line which connects the zone with Fez and the cities of Morocco to the south, Tangier pays a kilometric charge. Moreover, as the other zones have ports and railway lines of their own—Ceuta to the east in the Spanish zone and Casablanca to the south in the French zone—Tangier is deprived of much traffic, while goods for the other zones which do come through the Tangier customs from Europe pay

no duties whatsoever to the international administration. In addition, the whole cost of harbor works has fallen on Tangier, though it is the other zones with their export trade that will reap the chief benefit.

Like most international organizations, the zone is overstaffed. It has gathered together an administrative body which, though efficient, could certainly manage a territory ten times as large. The recent budget with expenditures of $1,020,000 showed $220,000 for the public debt, $420,000 for salaries of administrators and officials, $60,000 for police protection and less than $320,000, or one-third of the total annual receipts, for the actual running of the zone. That the zone has too many officials is painfully apparent, but it is the result of international jealousies. An excellent example occurred in 1928 when Italy became a party to the statute and demanded that an Italian assistant administrator be appointed, although two assistant administrators were then quite sufficient to do the necessary work. One more official was added to an overstaffed service. Nevertheless, the polyglot administration works harmoniously. Why should French, English, Spanish and Italians combine well together in a single government? I asked one of the Spanish members of the Assembly, where debates are conducted in French and Spanish and translated to the native members. He explained it this way:

"Each individual out here in a public post represents his own nation in a small way. He feels this; he knows every one is watching him, and he is anxious to give his best. There is a spirit of helpful rivalry among the officials of the zone which has been of great assistance to Tangier. Naturally we are unable to pay big salaries. Our assistant administrator in charge of finance was an Englishman discharged several years ago when the Egyptian Government cut its staff. Another official is a retired civil servant who is willing to work for small pay. But these men are honest, competent and efficient. In one way it can be said that the international zone has been a success."

Tangier is overstaffed, yes, but it certainly does not overpay its officials. Fortunately the cost of living is low in the international city. The administrator himself receives $2,000, while his three assistants get $1,600 and the judges $1,200; all have a small housing allowance. It is the police and gendarmerie that bring up the cost of officialdom. However, Tangier has been unusually fortunate in discovering capable and self-sacrificing servants to work for her at small pay. A casual observer would say that the inhabitants, notwithstanding their lack of a direct vote, are far better governed than the citizens of most large American cities. There is practically no graft in the administration, in the customs or the finance department. There is no scandal in the police or in the tobacco industry. By some act of financial legerdemain, the secret of which is known only to the experts, budgets have been balanced in the face of low revenues.

One is obliged to smile when one hears, as every visitor does, the complaints and lamentations of the Tangerines about taxation. There is absolutely no income tax—one reason perhaps why the zone is so popular with the British. Alphonse Ménard, an attorney attached to the Mixed Tribunal, declared in his *Etude Critique du Régime Spécial de la Zone de Tanger* that about $8 per year per person would cover all taxes levied on the inhabitants who complain so loudly against the administration. There is, to be sure, an indirect tax on commodities, but it is small, while the automobile tax is insignificant.

Naturally in such an organization the administrator has a vast power for good or evil. The present administrator, M. Le Fur, was unanimously re-elected by the Assembly to succeed himself at the end of his first term,

and it would seem that he placed his duty to his position above his duty to France. Despite the possibility of working for French interests, he has remained scrupulously fair to the interests of the zone. His re-election was a remarkable tribute to a remarkable man. It was a tribute, also, to international government.

Three new international units have grown up in Tangier: a committee of tourist propaganda, an international chamber of commerce and an international association of the press. On these committees, as in the Assembly, men of different races and creeds work together toward a common end. The Assembly is certainly international and it can hardly be said that the administrative and fiscal departments of the zone do not labor harmoniously for the good of all concerned.

The citizen of Tangier is subjected to a Constitution which is not his own, which he did not ask for, which he does not wish and which gives him little say in the actual running of the government. Yet even without a direct vote, it is hardly true that he has no voice in the administration of the zone. The average citizen of Tangier has as much to say as the average Italian or Russian in the running of his city, perhaps as much as the average American. This lack of a ballot is cause for vocal complaint rather than an actual hardship. Last Spring the disenfranchised masses held a revolution in Tangier. It was a quiet, polite and harmless affair; no blood was spilled and if it forced a few officials to postpone their biweekly golf contests, it did not prevent the weekly polo match with the Royal Navy team from Gibraltar being held as usual. The rebel side incurred expenses of $3.48 for printing revolutionary posters and a few cents for paste. This outburst and a well-planned demonstration were enough for the Committee of Control; they gave their sanction for a free port zone in the harbor, while the consuls of all the powers lent their support to other demands. Yet the Tangerines complain because they have no voice in the government!

The zone and the statute constitute an experiment in government with which every one seems satisfied except the natives. The various nations are pleased with the arrangement; the numerous bureaucrats in the city are delighted; only the population is disgusted. Talk with the shopkeepers of whatever nationality, with the workers in the stores, with the man next to you in the Café de France and you will find them at one in their condemnation of the present régime.

Nor has the growth and prosperity of the zone been helped by the jealousies and rivalries of the various powers; neither France nor Spain has been overanxious for its success. Tangier with its mild Winter climate, its cool breezes in Summer, its picturesque Moorish life perpetually swarming through sunlit streets on the heights above the Strait, might easily become a great tourist centre for Europe. But the French travel company which controls tourist traffic throughout North Africa takes little pains to stimulate interest in Tangier. For every foreigner who knows of this heavenly spot there are a thousand who have visited Algeria and Southern Morocco. The average traveler who goes to North Africa finds himself carefully routed away from Tangier. Spanish influence has been no more helpful. If the French are especially anxious to see Algeria and Southern Morocco prosperous, the Spanish are also much more interested in their own zone than in Tangier, while the Italians prefer to boost Tripoli.

Petty jealousies and sordid rivalries can ruin the best of plans. As a tourist resort Tangier might become world famous, needing only a casino with roulette and accompanying attractions to make the city surpass the Riviera or Egypt in popularity. Plans

for such a casino were drawn up, but when the matter was put to a vote in the Committee of Control the Spanish Consul killed the project. This was sufficient to bury it temporarily; it did more, it aroused the deep ill-will and resentment of the entire population. Officially the veto rested on moral grounds; but such an explanation was absurd to any one who has seen barefoot children in the streets of the native quarter selling tickets in the Spanish lottery. The probable truth is that the contract was let in advance to a French concern; the Spanish Consul heard of this and blocked the scheme which so seriously affected the welfare of the zone.

In spite of the internationalization of Tangier, the atmosphere of the city is almost as French as that of the towns in French-controlled Morocco. French is generally spoken. Four of the leading banks are French, as are many of the leading business firms. In theory the sovereignty of the Shereef extends over Tangier as over the remainder of Morocco, but the Sultan at Rabat is entirely subject to the wishes of the Governor General, who is a Frenchman. The Shereef supposedly delegates his power to the Mendoub, his representative at Tangier, but as the Mendoub has a French adviser sitting beside him, it is unlikely that the French will seriously suffer in any dispute that arises. It is the Mendoub who appoints the six Mohammedans and the four Jews who sit in the Assembly. For this reason it is hardly unfair to say that the French Governor General at Rabat controls three-quarters of the population of Tangier and with the four French members has a predominating influence in the Assembly. A decoration here, a timely appointment there, and even the most recalcitrant enemy of France can be brought into line.

The fiction that the Shereef of Morocco actually rules in that land is nowhere more delightfully disposed of than in the Shereefian postoffice at Tangier. Here one finds the same easygoing, indifferent French bureaucrat standing beside the counter; the same gummy black ink which sticks and clogs; the same pens which will not write; the same blotters which do not blot; the same dirt, disorder and delay as in a thousand similar postoffices in small towns from Fécamp to Fréjus and from Angoulême to Annécy.

Meanwhile, the native quarters are amazingly clean and sanitary for a Moslem city; the markets are full of fruit and flowers and vegetables; the shops both in the native and European quarters are patronized; and the English pour in for the Winter on P. & O. liners from Tilbury docks. Next Summer the French will rush up from Marakech and Fez and the inland towns in the south.

The International Zone of Tangier is a moving, growing, changing organism. International control is not perfect, but it is workable. Half a dozen nationalities live in peace and comparative prosperity under its régime. The native, chiefly because he knows nothing of conditions elsewhere, believes that Tangier and the zone have suffered badly from the world crisis. Yet it is probably true to say that Tangier has suffered less than almost any part of Europe or North America. The currency has not been depressed. Tourist traffic has steadily grown and the Winter of 1931-32 was the best the city has ever known. Indeed, it was not uncommon at the height of the season for visitors to cross on the afternoon boat from Gibraltar and find every room in town engaged for the night. That happened in painfully few cities of Europe during any part of 1932. With the cosmopolitan life of the city, with the golf and tennis clubs, the diplomatic set and the year-round flow of visitors, the future of Tangier seems assured if the clashes of Europe do not unleash angry passions.

Bankruptcy or Inflation?

By RALPH W. PAGE

[Our present financial situation is discussed in the article printed below from what Mr. Page describes as a country banker's point of view, though he has, he explains in a letter to the Editors, "various and very substantial connections reaching into the heart of the financial system in New York and the governmental system in Washington." A son of the late Walter Hines Page, who served as American Ambassador to Great Britain, he graduated from Harvard College in 1903 and from Harvard Law School in 1906. After practicing law in New York he settled in North Carolina, his family's native State. Since 1920 he has been in the banking business as vice president of the Page Trust Company, which operates a chain of banks from Raleigh as headquarters. His plea for inflation represents, of course, only one side of the question, which will be further discussed in the next issue of this magazine.]

ONE of the most amazing phenomena of the present crisis in the United States is the tameness with which people have accepted the financial afflictions called the depression. It is more amazing still that they are willing to undergo bankruptcy, the loss of their homes, of their livelihood, to be turned out into the street or to jump out of windows for the sake of maintaining a system that they do not understand and that obviously is not working. Worse than that, they follow blindly the leadership of men and the teachings of a school of thought that for years now have been just exactly one hundred per cent wrong—not wrong in a controversial sense or as a matter of opinion, but obviously, blatantly proven ignorant and mistaken.

Who are these gentlemen? They are the financial rulers of the United States. However, let me say at once that I have no intention of blaming or attacking any person or class of persons. These men are good, sincere, able men—probably the ablest and the best men we have. But after all, in the main, they are simply the ordinary common garden variety of men, nine-tenths of them as ignorant and prejudiced and custom-bound as you and I.

Who are these people who determine the policy of the government of the United States and the remedies or lack of them that are called forth to meet a national calamity? They are the captains of industry; they are the underwriters, the lawyers, the bankers, the brokers, the railroad presidents, the amalgamators, the oil kings and that vast army of retainers of politicians, professors, clerks, subalterns and menials that grew up saturated with the very essence of their thought and philosophy during the great, and let us admit, successful era of their reign.

No student of human nature, no scientist devoted to exact facts, ever supposed that these people think. They belong to a great school, the school of action. Certainly the leaders were magnificent men. They built endless railroads, and combined them, and ran them. Not to be tedious, let us admit they filled the whole country in an incredibly short time with a wealth of factories and mines and goods and roads and cities and tunnels and bridges and all manner of things under the sun—all paid for in a twinkling by some untold billions of alleged money to be provided in the "sweet bye and bye." And now here we are in that "sweet bye and bye."

Go up and down the land asking whatever remnant of this galaxy of princes that have not gone into bankruptcy or fled abroad how these things are to be paid for, and you will soon discover that we are in a far worse predicament than anybody imagines,

for not a single one of them has the vaguest idea—not one of them. Ask any banker you like in North Carolina and keep right on going all the way up the line consulting all the great leaders of the money world, not forgetting the Treasury Department and that great institution leading the people out of the wilderness, the Federal Reserve Board, and you will get a jumble of contradictory statements fairly summarized as follows:

1. "We've always gotten out before. Nobody knows how. But have faith and suffer. We are sure we'll get out again."

2. "We privately believe that there is no alternative to inflation or bankruptcy. Of the two we prefer bankruptcy."

3. "Shut up! If the people realized that we know nothing about the subject—haven't we been absolutely wrong in every solemn prophecy and pontifical statement we've ever made?—they would kick the gold standard out of the window, tell us to go chase ourselves, and use some wild radical currency scheme to bring the dollar down where these debts could be paid." Whereupon you ask, "Suppose they did?" "There would be a panic," is the answer. But again you ask, "What is a panic?" and you are told, "A panic is a time when every one gets scared they'll lose their money and the result is they do lose it." Then you ask, "Who are these people who have all the money?" and the answer this time is, "There aren't any." Still curious you ask, "How can people who have nothing get afraid they'll lose it?" This evokes the dire prophecy, "Every one would be ruined if we depreciated the dollar."

Those are the answers. It seems fair for millions of unemployed wage and salary earners and for millions of land-owners driven out of their property to ask how much more ruin is possible, and also to ask how these all-wise prophets whose every statement is refuted the next day know what the result will be.

In spite of entrenched authority and precedents, in spite of the inherent fear of mankind to hear any unaccustomed ideas or try any unfamiliar procedure, we have learned to question all supposedly established facts and adopted the so-called scientific approach to the truth. The only method we have to discover the true working of any natural and human law is experiment. Viewed in this light, the attack upon our financiers and politicians is a perfectly commonplace laboratory procedure. In a practical and realistic world—in the world of these very high financiers—if a man or several men undertake to run a business or a war, or a plantation, and fail, then out they go. That is the definition of wrong. A great pack of arguments to explain why they failed does no good. A library of theories that a method ought to work is no good. We know by this time that there exists a way in all things under human control to make the thing work. And if one way does not, we want to try another, and still another, until we find the one that does. We will not sit idly by and let any man manage our affairs merely because he says he is an "expert." There are no longer any augurs, soothsayers, miracle men, infallible priests. There are no holy dogmas that cannot be questioned, no sacred rulers whose wisdom is unassailable. Every man not only can but should think out things for himself.

In the field of finance, where there exists not one single tested formula or established program, not to mention any proved or scientifically demonstrable plan for increasing prices, any victim has the right and duty to arrive at his own conclusions. But it is preposterous to suppose that any man can solve a problem if he is precluded from knowing the facts or presenting the case. That is the first trouble with our doctors today. They dare not state the case. They say that the patient will soon get well if we will be optimistic and have confidence.

But in whom can we have confidence?

In stating this case, to which I invite all men not experts to address their attention, I will avoid the impenetrable mass of statistics, opinions, theories and the rest of the paraphernalia of the professional financial magicians and give only what, as a small-town banker in North Carolina, I know to be true from immediate personal conflict and observation, though I should add that I have most of the charts and forecasts made by all the experts for the last ten years. Furthermore, I have read Salter and Keynes and Chase and Dennis and Josiah Stamp and Colonel Ayres and every word I can find on the situation, as well as the standard explanations of the economists. This is merely to note that my observations are not entirely clouded by bucolic ignorance or the prejudice of environment.

The situation in the South is this: With the exception of the tobacco companies, a few subsidized banks, the power companies and a negligible proportion of the mill properties, most individuals and businesses, most municipalities and counties are absolutely and finally bankrupt. This, of course, calls for a definition. I mean only that they cannot under present conditions pay more than 30 per cent of their debts in gold. Actually, they are, of course, wealthy. In all things people need, in the aggregate, they are on the top of the world; nevertheless, they are not on the verge of being or going to be bankrupt—they already are. They are absolutely and hopelessly insolvent under the definition of the bankruptcy act and by the present criterion of any modern credit man.

If there is any house—be it home or speakeasy—in the South that is not mortgaged for four times what its rental or sales value will pay, the owner had better retire now with a machine gun than jump into the mortgage slough of despond. Land, neither farm land nor improved city property, has any mortgage or sale value whatever. A vast majority of the mortgages—and their number is legion—are in default with not the faintest prospect of being paid, now or ever. The vast majority of people are in debt, and not one out of ten can see how he can conceivably pay the debt.

The financial world has not even suggested any remedy for these conditions except to take people's property away from them. This goes on at a terrific rate. The only active business in the South is conducted by collectors, lawyers, sheriffs and armies of letter writers who spend months on end being pained, outraged, shocked and astonished that substantial citizens, the pillars of society, do not pay what does not exist. Nobody can pay, but every one has a string of abuse for the other fellow. Nobody can pay, but the Federal Farm Board has a horde of high-pressure cossacks all over the country putting people off their farms, suing every one that has any signs of outside property, seizing crops—*helping* the farmer!

Every day since April, 1930, the plight of every single individual in the small country town gets worse. Every day there are more vacant stores than the day before. Every day there are more deserted houses. Every day another garage, haberdashery, filling station or shoe shop gives up the ghost. Every day every merchant sells less than the day before. In most of the small towns in the South nobody really owns a piece of property. The debts would take all the property three or four times over. Does a man owe $2,000 on a house that cost him $10,000? Then as an actual practical matter, he stays there at the sufferance of either the mortgagee, his own creditors or the tax collector. This is not "what is going to happen"; it is the present fact. Nor is this the worst. A vast majority of the farmers—people on farms—have lost all their property already; and those that have not, live the life of slaves—slaves pure and simple—at the mercy

of innumerable people at whose whim or necessity they must get out.

I am called upon by these people for some answer. Can I, a part of this great scientific civilization, say, "There is none. Pay me, or get out and go starve." I am helpless, for I can think of nothing any one can do or imagine except to suffer and hope for a miracle.

The only answer the government has is to take over a small portion of this monstrous indebtedness—an interesting attempt to pay debts by postponing them. But the present sorrows of the Land Bank-ridden farmers are evidence enough of what happens to people who try to borrow themselves out of debt. If experience is any criterion, it will not be long now before the Reconstruction Finance Corporation will join in the head-hunting, and will be out collecting from all the banks, railroads and other unfortunates that have received its life-saving money.

Some debts have been taken over by the R. F. C. But this has not yet paid one mortgage or employed one man in my district, and it has added to the taxes, which are not being paid. And moreover, a great many are not going to be paid.

What answer then can I, or the people themselves, or any one else give these sturdy victims of providence, if human controlled affairs can be laid to providence? They say—and I say—and I have yet to find any one to deny that the choice lies among three things only, notwithstanding all the theory and authority and exhortations to the contrary. The first choice is the present process of bankruptcy in detail, that is, debts wiped out over a generation with resulting bitterness, ruin of families, loss of traditions, morale and standards, and attended by feuds, lawsuits, suicides, degradation and despair. This is what is going on now. The second is deliberate governmental action doubling the purchasing power of the dollar; in other words, effective, drastic inflation. And the third is wholesale forceful repudiation—revolution. There is, of course, a fourth method entertained by people who have not lost their homes or their life's savings, or who at least are not subjects of common charity as a result of this line of reasoning. This is called the "lazy fairy" school of thought and believes that nature should take its course, that every one should suffer and pray and that finally time will heal all. So it will. It healed Gettysburg and the Great Plague—a great consolation for the dead and buried!

In so far as I represent these people, and in so far as I am an independent citizen of a free republic, I suggest that of the remedies proposed, our representatives adopt inflation. Whatever its real or fancied ills may be, our people prefer that these ills be suffered to the end that they be relieved of this mountain of debt.
sumption that the prevailing conservative idea was of necessity true and correct, can fail to see the danger attending fiat money or a controlled currency. The danger is purely and simply that, being a managed affair, the people who manage it may not have sufficient self-control, and so instead of cutting the value of the dollar in half, they may imitate the Germans, and print so much money that

We have heard endlessly of what terrible things would happen if we went off the gold standard. Our answer is that every one of those terrible things has already occurred. Moreover, without pretending to answer the conflicting, obscure and innumerable statements and theories about the matter (no two of which I have ever found to agree), we observe that the French both went off the gold standard and paid their debts with money, inflated about five times, and, regardless of talk, seem still to survive—and likewise everybody else in the world.

Nobody who has read history, particularly the conventional history, which is always written with the as-

it is worth nothing at all. In a world in which we are obliged to regulate human society and ourselves, this is no answer at all. If we overdo the thing, we shall get hurt. Thus it has been with that great virtue, "healthy liquidation," so proudly proclaimed by the great bankers. But who would not prefer a controlled currency to being sold out for taxes and hitch-hiking from one bankrupt town to another?

Some friendly and distressed gentlemen who belong to the most thoughtful and constructive and daring branch of the dying financial dynasty say that such procedure is unfair to the creditors, unfair to the sweet old lady who has nothing but her bond coupons and mortgages to live on. I think they are mistaken. They say it is unfair to pay a man a fifty-cent dollar for a dollar debt, that it is dishonest, unsound. The answer is that as a matter of fact they have already lost the money. As things are they have lost not 50 per cent but nearer 80 per cent, and are in a fair way to lose it all. I am a creditor in North Carolina, a large creditor. I would take 50 cents on the dollar for all debts owing me now, including a 50 per cent rise in the value of my possessions, with a perfect ecstasy of delight. Another answer, current everywhere, but expressed with classical finality in the Senate by Josiah Bailey, is that the present dollar is itself diabolically dishonest. It is worth at least four of any dollar we borrowed in North Carolina in terms of any property we have. But honest or dishonest, like it or not, we have to pay with what we have or not pay at all.

If debts were only what financiers and auditors and lawyers think they are—figures in books, records, chips in a poker game—this protest would be useless. All anybody has to do is to go through bankruptcy and start again with some more chips—if obtainable. But this mathematical view overlooks the fact that during the process we are in a fair way to destroy the very heart of the people. I could fill ten books with the terrible human tragedies arising out of the present situation—homesteads, the seats of proud and leading citizens, sacked as if by Sherman; the patriarch dead of shame, the family scattered to the winds, henceforth to lead the lives of penniless wanderers; whole towns deserted, as if by the plague; the daily crash of venerable institutions, of impregnable reputations; the rapid depletion of all those elements of society that build our standards and maintain our civilization, and a corresponding addition to the ranks of the idle, the dissipated, the cynical, the despairing and the criminal elements. There is no arbitrary system, invented or imagined, worth the price.

Why Mooney Remains in Jail

By GEORGE P. WEST

[In 1916 the author of this article investigated the trial and conviction of Mooney and Billings for a liberal group known as the Committee on Industrial Relations, and as a newspaper man he has followed the case ever since. He is now associate editor of the *San Francisco News*.]

IF the United States is tired of the Mooney case and impatient with California for not finding a way to dispose of it, California itself is more than tired and impatient.

The difference is that feeling within the State is sharply divided and that what appears to be a majority sentiment inclines to a belief in the guilt of Mooney and Billings and therefore to keeping them in prison. What a referendum would show is guesswork, and the pro-Mooney faction even claims that the refusal by Governor C. C. Young, who preceded James Rolph Jr., to pardon Mooney was a decisive factor in his defeat for reelection. But the fact remains that four Governors have denied a pardon, and so has the Supreme Court sitting as an advisory board in the case of Billings, whose application for clemency required a Supreme Court recommendation under California law because he had been convicted previously of a felony.

Assuming, then, that the dominant opinion of California believes Mooney and Billings guilty, how is this to be explained in the face of disclosures of perjured testimony that have convinced so many people outside California that the men should be pardoned and that the failure to pardon them constitutes a shocking denial of justice? The factors that have prevented their being pardoned are four.

First is the intensity of the feeling that swept the public when the men were first arrested and that gathered force and depth during the seven months required for their trial and conviction. In San Francisco on Preparedness Day, July 22, 1916, a frightful and wanton crime had killed nine innocent people and wounded forty. The rage of the public was precipitated almost instantly on Mooney and Billings, who were arrested within five days and whose guilt was proclaimed as established beyond doubt in public statements by the District Attorney and police. These statements were repeated almost daily for six weeks and at short intervals for as many months, accompanied always by the most circumstantial and lurid details of alleged evidence. Belief in their guilt became a fixation long before the trial of Billings. The tenacity of a feeling so intense and so firmly supported by what the public accepted as evidence presents a phenomenon that must be familiar enough to any amateur psychologist.

Second is the character of Mooney and Billings. The latter was a young burglar who had wandered to San Francisco from Brooklyn and had turned labor saboteur for pay. As for Mooney, he had been tried for transporting dynamite to blow up the towers of an electric transmission line during a strike conducted by the left wing of the Electrical Workers Union against the powerful Pacific Gas and Electric Company. His record had combined a close association with such utopian agitators and theorists as Emma Goldman and Alexander Berkman, then conducting an anarchist magazine called *The Blast* in San Francisco, with active participation in

strikes as a left wing member of the orthodox trades union movement. He was unpopular even among his left wing associates as a bumptious, obstreperous, prodigiously conceited person, with a genius for antagonizing people. He was particularly obnoxious to the politicians who controlled the labor movement. He had attacked them, justly enough but immoderately, for exploiting labor's power to gain privileges for themselves as members of the Tammany-like coalition of special interests that ruled San Francisco.

Third is the refusal of the Supreme Court to consider the disclosures of perjury and to grant the new trial that in Mooney's case was so clearly demanded. Here we have the crux of the matter, as it involves the legal profession and those responsible for the administration of justice. It is also the factor in the Mooney case that is least understood and that goes furthest toward explaining and excusing the refusal of so many Californians to open their minds to the considerations in favor of pardon. Believing Mooney guilty, loathing him as a murderer, California acted as any community would have acted when defense agencies came forward with sensational disclosures of perjury. It very naturally waited for a sifting of these disclosures by the courts.

Mooney was convicted on Feb. 9, 1917. Fifteen days later, on Feb. 24, Judge Griffin, who had presided at the trial, denied the usual motion for a new trial and sentenced Mooney to death. Six weeks later, on April 10, one Rigall arrived in San Francisco from Illinois and made public letters written to him by Frank Oxman, the chief witness against Mooney, showing that Oxman had attempted to suborn Rigall to perjury against Mooney. Although Oxman was only one of the several exposed perjurers whose testimony convicted Mooney and Billings, he was by far the most influential. Judge Griffin later wrote to Governor Stephens: "There is not the slightest doubt in my mind that the testimony of Oxman was the turning point in the Mooney case and that he is the pivot around which all the other evidence in the case revolves." Judge Griffin has said elsewhere that Mooney could not have been convicted without Oxman's testimony. (For the details of Oxman's attempt to suborn Rigall and for the later disclosures that Oxman himself was not in San Francisco at the time of the explosion, as for a complete exposition of all the other perjuries committed by witnesses for the prosecution in the Billings and Mooney trials, those who are sufficiently interested are referred to the recently published report of the three lawyers employed by the Wickersham Commission to investigate the cases.)

For Judge Griffin, Oxman's exposure as a would-be suborner of perjury was conclusive evidence that Mooney had been unfairly convicted and was entitled to a new trial. The case was then out of his hands, with an appeal pending in the Supreme Court. On April 25, fifteen days after the Oxman letters were published, Judge Griffin wrote to the Attorney General of California calling his attention to the letters and saying: "The authorship and authenticity of these letters are undenied and undisputed. As you will at once see, they bear directly upon the credibility of the witness and go to the very foundation of the truth of the story told by Oxman on the witness stand. Had they been before me at the time of the hearing of the motion for a new trial, I would unhesitatingly have granted it. Unfortunately the matter is now out of my hands jurisdictionally, and I am therefore addressing you, as the representative of the People on the appeal, to urge upon you the necessity of such action on your part as will result in returning the case to this court for retrial."

Attorney General Webb responded promptly and filed with the Supreme Court a stipulation confessing error in the Mooney trial and agreeing to

a reversal of the judgment and the granting of a motion for a new trial. But when Mooney's application was heard by the Supreme Court, it held that, even with the Attorney General's stipulation before it, it was without power to grant a new trial upon matter not appearing in the record. The court specifically stated that Mooney's only relief lay in executive clemency. Nearly six months later, on March 1, 1918, the Supreme Court affirmed the judgment of conviction, having found no error in the record of the trial. Thus the Supreme Court in effect washed its hands of the Mooney case and left the decision to the Governor. On Nov. 29, 1918, Governor Stephens commuted Mooney's sentence to life imprisonment, but his action was only a concession to President Wilson, who had thrice written to him expressing concern and urging action that would end the Mooney case as a source of worldwide agitation.

The Supreme Court's confession of impotence to consider matters outside the record of Mooney's trial and to order a new trial, as requested by the trial judge and the Attorney General, was understood and accepted by lawyers. It is a failure of justice that shocks only the layman. New York and one or two other States alone have followed England in removing this crippling limitation on the power of appellate courts in criminal cases. Yet its disastrous effect in the Mooney case cannot be exaggerated. Today in California there is not one person in a thousand who realizes that the Supreme Court has never undertaken to pass upon the facts bearing on the question of whether or not Mooney and Billings were fairly convicted, and that instead the court has explicitly affirmed its impotence to consider facts of the utmost importance and has just as explicitly laid the responsibility for doing justice and giving redress on the doorstep of the Governor. It is not only the simple-minded who rest comfortably on the assumption that when once the appellate courts have passed upon a case every circumstance has been examined and a fair decision has been arrived at. It is a perfectly proper assumption and rests upon a confidence in our courts that is betrayed when for any reason they fail to pass upon circumstances that are relevant and even decisive in reaching a just determination.

There is nothing personal in this scandal. It involves the legal profession of California in what amounts to a deception of the public. Nor does this deception stop with the average man. It extends to the educated and the well informed. It so happens that not one of the four California Governors who have denied pardons in the Mooney and Billings cases has been a lawyer. To interfere with the majestic workings of justice as represented by our courts appears to any Governor as an act of the greatest temerity. To him, as to the average citizen, it is necessary to believe that, once the courts have spoken, justice has been done, and that exercise of the pardoning power shall be a granting of mercy to the guilty, not an upsetting of findings of fact by the courts.

This, however, does not mean that prejudice was lacking as a factor in swaying the course of events in the Mooney case when once it had reached the Supreme Court. The limitation behind which that court took refuge can be surmounted when a court wishes to surmount it. The law permits the court to reverse a conviction on a finding of error by the trial judge. "When we think that justice calls for a reversal," a famous Chief Justice of California, now dead, once remarked, "we search the record for error and we damn well find it!" But if there had been no constitutional limitation forbidding it to consider matters outside the record of the trial, even the most reluctant and prejudiced court would have found itself compelled to grant Mooney a new trial

on the Attorney General's stipulation.

Twelve years later the Billings case came before the justices of the Supreme Court, sitting as a "non-judicial fact-finding commission." They made it clear that they were not acting as a court, and their adverse finding was to the effect that Billings had not affirmatively established his innocence. One need only recall the observation in the formal opinion written by one of the justices that if Mooney and Billings were not guilty they must have known who did commit the crime! If these same justices had been required to pass upon an application for a new trial, with the evidence of Oxman's perjury before them, even their prejudices could scarcely have found any excuse for denying a new trial. So we see the legal fiction of *res adjudicata* barring the way to justice, while the people of the State are deceived by a misplaced confidence in the adequacy of their judicial system and confirmed in their belief that two men, whose conviction has been affirmed by the Supreme Court, must be guilty.

The fourth factor that has prevented pardons for Mooney and Billings is the influence of powerful special interests. These special interests were, first, the officialdom of San Francisco active in prosecuting Mooney and Billings, and, second, the public utility corporations. The latter, with their allies, had been instrumental in accusing Mooney and his friends and gathering evidence against him, and then in building up public sentiment in support of the prosecution.

Both the Pacific Gas and Electric Company and the United Railroads of San Francisco had good reason to regard Mooney as a dangerous enemy. They believed that he was involved in the blowing up of power transmission towers during various strikes in which he had been active from 1913 up to within a few days of the Preparedness Day bomb explosion. They had employed detectives to watch him and to procure his arrest and conviction for strike violence, and one of these detectives, Martin Swanson, went to District Attorney Fickert on the evening of Preparedness Day and accused Mooney and his friends. Fickert promptly employed him, and Swanson was active in gathering evidence throughout the trials.

It so happened that the explosion occurred at a time when employing interests generally had been aroused by violence during a strike on the waterfront. A law and order committee had been organized by the San Francisco Chamber of Commerce and amply financed. It, too, had employed detectives and set up headquarters. When the explosion came it had already begun a campaign to expose and curb violence by the unions, and it naturally seized upon the explosion and Mooney's arrest as the culmination of an evil against which it had declared war. Swanson himself had been shadowing Mooney and his friends during the days just preceding Preparedness Day. Mooney knew this and had gone to his lawyer to complain about it. The fact casts doubt on Swanson's sincerity, but whether Swanson's employers and the interests allied with them had doubts of Mooney's guilt is a question on which no light has been shed.

Swanson, then, and the influential interests behind him played a decisive part in bringing about Mooney's arrest, in fixing upon him the condemnation of the community and in procuring his conviction. Their part in precipitating the train of events that led to the convictions is not to be minimized, but the very fact that their activity became well understood in a community no more friendly to large corporations than another, without shaking the public's conviction of guilt, is evidence that other factors were decisive in preventing redress once the convictions had been obtained. Otherwise the disclosure of the part played by Swanson and the law and order committee of the Chamber of Commerce would have worked

for Mooney and Billings, not against them.

Yet in one respect the support of the prosecution by these special interests might easily have been decisive not only before but after the convictions. Publication of the Oxman letters in April, 1917, threw the prosecution into a panic. Mr. Fickert and his aides met with defense attorneys and Fremont Older, editor of the *San Francisco Call,* and in great perturbation agreed to ask for a new trial. At this juncture the law and order committee published an advertisement of three-quarters of a page in the newspapers calling upon the public to support the prosecution. A sudden stiffening occurred; Fickert repudiated his conversations with Mr. Older and again the prosecution presented a strong front.

But by this time the prejudices of all who hated and feared radicalism of the Mooney type had broken down any division between them and the interests that had special reasons for wanting Mooney in prison. Leadership in opposition to pardoning him and Billings has been pretty equally shared by those on the conservative side in California's various political battles involving the large corporations and those who have been active on the anti-corporation side. And it would be oversimplifying the facts and adding to the misunderstanding to say that Mooney is being kept in prison by a corporation conspiracy.

San Francisco's officialdom has been referred to as the other special interest that has stood out against pardoning Mooney and Billings. It requires no permanent bureaucracy to give officialdom an organic entity and life of its own. As by instinct peace officers, judges and functionaries rise to resent a charge that the governing machine has made itself the instrument of injustice. From the wisdom of his long fight for Mooney's pardon, Fremont Older has remarked that it is much easier to obtain clemency for a guilty man than for one unjustly convicted, for to accomplish the latter requires an admission by those in authority that they have erred and erred grievously.

Two outstanding exceptions are Franklin A. Griffin, the Superior Court judge who presided at Mooney's trial, and Duncan Matheson, who was captain of detectives in the San Francisco Police Department at the time of the bomb outrage and who had charge of gathering evidence. Both have denounced the Oxman and McDonald perjuries and have urged repeatedly that Mooney and Billings be pardoned. Judge Griffin was first appointed to fill a vacancy by Governor Hiram W. Johnson in 1915 and has since been re-elected at six-year intervals. He had previously served as Governor Johnson's executive secretary. He is not of the politician type and is a man of unimpeachable integrity. As for Captain Matheson, now City Treasurer, he was known during his many years in the Police Department as an officer of great determination and character who never missed an opportunity to attack leniency toward criminals. That sentiment in San Francisco against pardoning Mooney and Billings should survive the repeated urging of clemency by these men is a measure of the strength of the existing prejudice.

Governor Rolph was Mayor of San Francisco at the time of the bomb outrage and throughout the trials. He was Mayor for nineteen years before his election as Governor. He had a proprietary pride in the city and its government. It would be very difficult for him to admit that his Police Department had stood by and even actively assisted in the conviction of two innocent men by perjury. Nor would the record of pertinent circumstances be complete without noting that one of his closest friends and advisers, Eustace Cullinan, has long been an attorney for the Pacific Gas and Electric Company, and that the law partner of his official Mooney adviser, Matt I. Sullivan, has been for

twenty years president of the San Francisco Police Commission.

Perhaps a fifth factor should be added to those which are working against the pardoning of Mooney and Billings. It is the agitation itself on their behalf which has been directed from the beginning, of course, by the more radical labor leaders, with the active participation of radical agitators of every category, from the I. W. W. to the anarchists. Of late the agitation has been taken over by the Communists, with Mooney's full approval. As a result the Mooney issue is seen by thousands of Californians as one between what they would call Americanism and red radicalism, and their backs are up quite without regard for the facts of the case themselves. But it is doubtful if this element would ever have given consideration to Mooney's claim, Mooney being the man he is, regardless of who came to his aid. And of late there is a growing realization among influential business leaders of the obvious truth that Mooney in San Quentin is more dangerous as an agitator than a thousand Mooneys would be at liberty. So long as he stays in prison he is unquestionably one of the greatest assets the Communists possess, and he himself knows it.

It is indeed a question if those who keep Mooney in prison are not doing him a favor, for he enjoys his world-wide prominence and is compensated thereby for the privations and indignities of prison life, mitigated as these are in his case by calls from a never-ending succession of celebrities. Undoubtedly his ego has achieved satisfactions that a life of freedom would always have denied him. Yet prison is prison, and it is impossible to withhold a tribute to his stiff-necked courage in never missing an opportunity to hurl defiance and invective at his captors and to reassert the convictions and loyalties that have outlawed him.

This completes a brief outline of the factors that have kept Mooney and Billings in prison. The successive Federal investigations have set up a prevailing belief outside California that the men were unjustly convicted and should be pardoned, and so it has been assumed in this survey of the case that there is less interest in the evidence supporting this view than in the reasons why it does not prevail in California. To those who believe that the men are innocent, these reasons appear to be far from adequate, but they are important as a contribution toward understanding by those who have been puzzled by what seems to them a wanton denial of justice.

Marxism After Fifty Years

By HAROLD LASKI

[The fiftieth anniversary of the death of Karl Marx, which took place on March 14, 1883, is being made the occasion for a reconsideration of the effect his teachings have had during the past half century. The following analysis by Professor Laski of the University of London has an additional interest at the present time in view of the statement by critics of Technocracy that its theories contain Marxist elements even though its advocates disavow any such influences.]

IN the fifty years that have passed since the death of Marx there has been an enlargement of his influence upon a scale it is impossible to overestimate. A doctrine which seemed to his own generation little more, for the most part, than the utopian madness of a revolutionary exile has become one of the seminal doctrines of the modern world. It stands forth today in the armed panoply of a State, and to millions his name awakens a sense of veneration and belief such as has been accorded in the past rather to the great religious figures than to the makers of a political philosophy. His words are cited in proof or disproof of social politics with something of the same credulous finality which attached to the citation of the Scriptures by the medieval schoolmen. Certainly there is no socialism save that of Marx of which the statesmen need take account in our time.

What is the explanation of the change? Why should the doctrines of a half-starved exile, hardly known in his own day outside the society of revolutionists, on the one side, and the secret police of half Europe, on the other, have become so living and essential a philosophy? Why should principles the refutation of which is part of the ordinary stock-in-trade of the academic social philosopher secure an immortality denied to Comte and Saint-Simon, to Proudhon and Fourier and John Stuart Mill? Why, to take a notable example, should analysts so calm and clear as the late Professor Veblen and Mr. J. M. Keynes recognize, even while they reject the doctrine, that there is no challenge so momentous to the structure of capitalist society, that while its victory may be uncertain, nothing less than a profound reorganization of that society is urgent if it is to meet the challenge successfully? How are we to explain, in a word, the emergence of this philosophy from being the creed of half-hidden revolutionary societies into a creed for which men are not less willing to dare prison and death than they have been for the great religions of the past epochs?

To understand the ethos of Marx's teaching we must separate it into its different categories. In part, it is a theory of value whereby he sought to explain how the workers are necessarily exploited under a capitalist system, whence accordingly there is in such a society an irreconcilable antagonism between the owners of the means of production and the masses. Historically, it is an attempt to explain the development of ideas and institutions in economic terms. Philosophically, this view is built upon a purely materialist view of phenomena —human nature included—a view, it is interesting to note, which has important connections with the school of Holbach and Diderot. Politically, the doctrines of Marx resolve themselves into a defense of revolution as the only method by which the workers may hope to capture the State, and dictatorship is predicted as the method by which, the State having been captured, the workers so consoli-

date their authority as ultimately to build a classless society in which men at last enjoy equality and freedom.

I do not myself believe that the Marxian theory of value has, despite all the refinements of its advocates, stood the test of time. It was in its day a fair answer to the Ricardian school; but with the progress of economic doctrine its rehabilitation is no longer seriously possible. But it is worth while to note that its theoretic inadequacies have neither stood, nor are likely to stand, in the way of its acceptance by most of those who feel bitterly and suffer from the inadequacies of our present economic arrangements. For the professional economist the difference between profits and rent may be pivotal. To the poorly paid laborer it is irrelevant. What he sees is a world divided into those who have nothing to live by save the sale of their labor and those who live by ownership of capital and land. The first, in general, are poor and insecure; the second, again in general, are not. On the Marxian analysis that the owners of capital live by the surplus their laborers produce, the riches of the first are due to the poverty of the second. Labor, in a word, is robbed, and its surplus production is divided among a relatively small class of rich, and not seldom idle, men. Marx's theory of value appeals to him as a simple and direct explanation of his distressed condition; it summarizes with clarity the most poignant experience he knows. And in a period like our own, of commercial crisis, when wages are cut down on every side, the impact of capitalism upon the wage earner seems largely inexplicable to the latter except in Marxian terms. The worker then naturally moves from the acceptance of what I believe to be the theoretically inadequate doctrine of value to an acceptance of the philosophy which Marx constructed as its logical environment.

Here, as I think, the adequacy of his views is much more difficult to deny with justice. The greater the degree of complexity in the productive process, Marx argued, the fewer will be the number of persons controlling its instruments. Everything contributes to this intensification. New means of communication are established, the problems of which the small capitalist cannot solve. Important inventions are beyond his financial means. Territorial consolidation increasingly destroys the local market in which he was once a privileged person. Overproduction means a growing army of reserve workers; the economies of large-scale production, alike in agriculture and industry, depress hitherto independent producers into the ranks of the wage earners. The capitalist system moves from a national to an international character; its market becomes the world. Its nature then involves such increasing centralization that the control of the forces of production by private persons is incompatible with social welfare, for alongside the development of accumulation is the increase of the proletariat. They become unable to endure the misery involved in the capitalist régime. They have learned a discipline from the training necessary to the mechanism of the process of which they are the victims. "The knell of capitalist private property then sounds. The expropriators are expropriated." To the great capitalist there succeeds the State, which is captured by the workers for their own purposes. The result of capitalism is, in short, its own destruction. The condition of its growth is that it should involve the laws which imply its inevitable ruin.

There is thus for Marx a necessary struggle between capital and labor inherent in the structure of a capitalist society. This view he derived from his philosophy of history. All its phenomena, he argued, are the outcome of changes in the character of the system of production. Each technique produces the ideas and institutions it requires for its maximum development. Law, religion, art, letters, science, each of these is shaped in its

content by the dominant economic characteristics of the age. Marx, indeed, was not the first to urge this view, but he was the first to make it the foundation of all serious social analysis. Where he differed from many of those who accepted it was in the conclusions he drew from its meaning. "The only durable source of faction," wrote Madison, "is property," and for Marx the emergence of private property into history is the beginning of that class struggle which is the central explanation of the State.

Immediately society can be divided, Marx argued, into those who do and those who do not possess property in the means of production, a power is released which explains the changes of history, for the class which possesses property, at some given epoch, in its dominant form molds the civilization of that society in the service of its own interests. It controls the government; it makes the laws; it builds the institutions of the Commonwealth in the service of its own desires. Slave and freeman, master and servant, these have been the eternal antitheses of history. With the advent of capitalism, the struggle is at once simplified and made more intense. Thenceforward, the final stage of the class war, the struggle between bourgeoisie and proletariat, emerges. And just as each social order of the past has secreted within its womb the germ of its successor, as feudalism produced capitalism, so does the latter contain within itself the germ of its communist successor. "Capitalism," wrote Marx, "produces its own grave digger." The conflict, in his view, was an inevitable and bitter one, and it was bound in the fullness of time to result in the victory of the proletariat because capitalism could not solve its own contradictions. The bourgeoisie would fight, because no men surrender their privileges if they hope for a chance to retain them.

Revolution is therefore, according to Marx, the outcome of capitalism; the State must be overthrown by the workers because, in its present form, it is simply the executive committee of the capitalist class. A dictatorship of iron rigor will consolidate the new system until the period of transition has been effectively bridged; to trust to the institutions of bourgeois democracy would be to utilize the methods devised for its own protection by one régime for the service of another—which is historically impossible. Marx did not blind himself to what all this implied. The history of capitalism is the history of a relentless defense of each phase of the rights of property; they are always defended without regard to justice. There may be periods of concession, as in an epoch of expanding trade, but once any vital point is affected by the workers' demands, they are met, as in the French Revolution, by armed resistance. That means, of course, that communism can be realized only by deliberate armed intervention. The proletariat must seize the propitious moment to overthrow its masters; until that time comes they must do all in their power to disturb the existing régime.

And even if minor successes are achieved with the aid of the liberal-minded bourgeoisie "from the first hour of victory the workers must level their distrust against their former allies." They must create a working-class organization of their own, workers' committees, workers' councils, a strong Communist party, to oppose proletarian institutions and their influence to those of the middle-class liberal State. They must arm the proletariat and do all they can to cut down the army of the State as the chief weapon the bourgeoisie possesses. Where the workers are in the militia they must form a secret organization within it to secure its control. Influential democrats must be discredited; strikes must inflame the proletarian consciousness. The old social order must, in a word, be attacked at every point. Communists have two functions only—to prepare for the revolution and to consolidate it when it has been

prepared. They must think of themselves not as realizing an ideal but only as setting free the elements of the new society concealed within the womb of the old.

The period of consolidation, further, is a period of iron dictatorship. Marx had no illusions about the possibility of democracy in such an hour. The ideals of freedom have no meaning in a crisis. Revolution provokes counter-revolution, and the victorious proletariat must safeguard itself against reaction. Revolution, in fact, demands of the revolutionary class that it secure its purpose by every means at its disposal. It has neither time nor opportunity for compassion or remorse; its business is simply to terrorize its opponents into acquiescence. It must disarm its opponents by execution, imprisonment, forced labor, control of the press. Revolution is war, and war is built on terror. The terrorism of capitalism must be used for the extinction of capitalism, for as capitalism has made of life itself the cheapest of commodities, there need be no repining at a sacrifice; the end is too great to be nice about the means employed. Nor would it be other than folly to introduce factors like democracy, consent, majority rule. These are utterly unreal in a capitalist society; they are merely the weapons used by the governing class to perpetuate its power. Communists must proceed upon the assumption that nothing matters save the enforcement of their will.

Marx wrote little upon the future Communist society; it was with the destruction of capitalism and the transition therefrom that he was mainly concerned. A new productive system was bound to involve new institutions which no man could foresee. That the Communist maxim, "From each according to his powers, to each according to his needs," would become operative was obvious; that effort would be measured in terms of labor time (a possibly inconsistent hypothesis) Marx took for granted. But he insisted that the future must take care of itself. He admitted that in the period of transition distribution would be unequal. We can, he knew, destroy by catastrophe, but creation is neither immediate nor spontaneous. He did not, therefore, set limits to the period of transition. It was necessary to wait until the habits formed by the new productive system created a psychology in which the Communist dogma of equality superseded the bourgeois dogma of individual rights. The main thing was to destroy a régime in which the private ownership of the means of production made possible the slavery of the many. It was possible to have confidence in an order where the whole force of social power was deliberately organized and planned so as to serve the common welfare.

This summary, bare as it is, indicates the direct relationship between the Marxian philosophy and the Bolshevik experiment. The Russian revolution, in the hands of its supreme architects, Lenin and Trotsky, has been the detailed fulfillment, consciously planned and executed, of Marx's doctrine and Marx's strategy. No one can study its evolution objectively without recognizing how largely it was inevitable; and to have seized the inwardness of a social order with a penetration so magistral entitles Marx to rank as one of the great prophets of social philosophy.

But his title to eminence does not rest upon the Russian fulfillment alone. The crisis through which capitalist democracy is passing at the present time accords with the forecast he made. The power to produce without a parallel ability to distribute, the growth of unemployment, the increasing severity of economic crises, the conflicts of economic nationalism with their resolution by wars which issue into civil violence, the inability of parliamentary democracy to satisfy the demands of the masses, their consequent sense of its impotence to meet their problems, all these he marvel-

ously foresaw. His insight enabled him to realize that the test of capitalist society was its ability to be continuously expanding, that once it became involved in its own contradictions it would go the way of all previous systems which failed to battle with, to adapt themselves to, their special environment. Unless in the years which lie immediately ahead there is a capitalist recovery as profound as its present distress, the erosion of its foundations is certain. And, in that event, the prophecies of Marx are not less likely to be fulfilled within the next half century in Europe and America than they have been in Russia.

There is, of course, a utopian element in Marx to which his followers do not always draw sufficient attention. There is a great oversimplification of the historical process; the struggle for justice is not ended by the creation of the classless society. Nor will the observer be tempted to admit, if he can maintain some measure of objectivity, that the victory of the proletariat is any more certain than the victory of men like Napoleon or Mussolini; the conditions of proletarian victory are, as the Russian experiment itself makes clear, of a very special character. It is far less easy where there is a middle class, trained in the profound psychology of bourgeois parliamentarism, than where, as in Russia, no such class exists, and it is always dubious except where, as in the aftermath of unsuccessful war, the armed forces of the State are demoralized. There is, too, in Marx an element of anarchism for which one must search for the origins in those eighteenth-century doctrines he inherited. He is so largely right in his analysis of the pre-Communist State that his adherents tend to miss the purely utopian character of his post-revolutionary speculations.

Like most magistral figures, moreover, his partisans tend to make him too unique and solitary a figure in his time; his debts to his predecessors are large and too rarely acknowledged. He owed much in the realm of strategy to Babeuf and the Equals; there is nothing in his labor theory of value which is not stated by the early English Socialists; the *Communist Manifesto,* brilliant though it is, owes much to Considérant, while Saint-Simon had seen with hardly less insight the doctrine of the class war and its roots in the economic conditions of the time.

What is epoch-making in Marx is the sweep of his synthesis, the ability to put a great mass of disparate materials upon a single plane. It is true to say of him that he found socialism a conspiracy and left it a movement. With the eye of genius he perceived that individualist liberalism was a temporary phase, that the essential struggle of the future lay between conservatism in the larger sense and socialism. He provided the latter with a program and a philosophy more rooted in the objective facts that it encounters than any alternative of which we have knowledge.

That is not all. In Marx's hands socialism became more than a philosophy; it became also a religion. We shall not understand the character of his influence unless we realize that its hold over its devotees is only comparable to that of the great historic faiths of the past. Each has its creed, its dogmas, its priests, its martyrs, and it is not blasphemy but a sober statement of fact to say that a belief in the inevitability of the proletarian revolution is as vital to the devout Communist as was a belief in the Second Coming to a Christian of the first century. The Marxian philosophy has been able to obtain from its adherents a devotion as compelling as Roman Catholicism from the Society of Jesus. Lenin and Ignatius Loyola had not a little of the same fanatic and architectonic genius. And about the righteousness of the Marxian tenets there clings an unmistakable air of infallibility. The power and strength of this dogmatic confidence in a period when a faith in capitalism

is at a discount, even among its own supporters, do not need any emphasis.

It may be said that the success of the Marxian scheme can be effected only at a cost which would destroy over a long period the essential values of civilization. To this there are at least two sufficient answers. To prove that it is a gospel of despair does not make it any the less objectively accurate as a generalization, and it is of course notable, on the other side, that Soviet Russia, which has paid a heavy price for the establishment of its authority, is the one country in the world today in the life of which a mood of exhilaration can be detected. The second, and more important, is the need of capitalism to respond to the challenge of communism by proving the rapidity and permanence of its recuperative power. "Reform if you would preserve," said Macaulay in 1832, "is the watchword of great events." No capitalist society can survive that is not able so deliberately to plan the civilization it supports as to be immensely and continuously successful. Otherwise, its stark contrasts afford to its competitor exactly the kind of material upon which in the long run challenge may be successfully based, for those contrasts are inexplicable in terms of reason, and a society incapable of achieving rational foundations must sooner or later become the oppressive antithesis of justice.

Whatever the defects of Marx, a passion for justice was the predominant motive of his life. He may have hated too strongly; he was morbidly jealous; he was excessively proud. But he understood that revolutions are not an accident in history. He saw that their immediate occasion is always the fact that their rulers have become intolerable to the mass of men. He gave to the working class a formula by which in appropriate circumstances they might find the secret of their emancipation. He added to the philosophy of social evolution a contribution which only genius of the first order could have made. Our understanding of history, our grasp of social causation, is abundantly more profound in the light of his work. There is no political thinker of the nineteenth century whose ideas continue to exert a greater influence today.

The Printed Word in Soviet Russia

By SIDNEY WEBB

[The following article on one of the less well-known activities of the Soviet State is the fifth in a series which Sidney Webb has written for CURRENT HISTORY. The sixth and last, which will appear in the April issue of this magazine, will discuss the social position of Russian women and children.]

THE Federal Government at Washington ranks as a Leviathan in the publishing business of the United States, and the British Stationery Office publishes more than any other government department in Western Europe. But these hardly compete with the profitable book and newspaper publishing enterprises of New York and Boston and London's Paternoster Row and Fleet Street, respectively. Only in the Union of Soviet Socialist Republics has the government, as part of its deliberate replanning of the social environment, undertaken the whole of the supply of books and pamphlets, newspapers and magazines for all its people.

This gigantic enterprise is not concentrated in a single monopoly. There are, as will be explained, many scores of publishing centres in the U. S. S. R., but not one is carried on for private profit, and all are closely connected with Ogis (formerly Gosisdat) the great State publishing house in Moscow. This one publishing office, founded in 1919, was selling, during 1932, over 600,000,000 copies of nearly 40,000 newly published books and pamphlets, comprising nearly 3,000,000,000 sheets of print (each sheet being sixteen pages or 40,000 letters—say 8,000 English words). This is a greater number of separate titles than are published annually in Germany and Great Britain put together, and nearly always in vastly greater editions than are issued in any country.

But these statistics relate only to "Russia proper," the Russian Socialist Federal Soviet Republic. The Ukrainian Republic has its own State publishing house (DWO), which issues, in the Ukrainian language, more than 5,000 new titles a year. Each of the other federated republics has likewise its own publishing centre, on a smaller scale. The trade unions and the consumers' cooperative societies, the Red Army and many of the larger factories as well as various smaller bodies publish masses of their own literature at many different centres. The Minister for Education has (since 1931) a separate publishing organization for scientific and technical books, acting under his own authority. There are also various government commissions issuing series of histories of the civil war, histories of particular factories, and what not. There is a quasi-official Leningrad Writers' Federation, which issues its own books. So does the Communist party (since 1931). The great daily newspapers are mostly published by separate organizations.

Thus there is no dearth of publishers in Soviet Russia, though all of them are governmental in character and none work for private profit. Among them they now publish annually in the U. S. S. R. about 50,000 new books and pamphlets in about 900,000,000 copies—to say nothing of nearly 6,000 separate newspapers, magazines and reviews, with an aggregate circulation, daily, weekly or monthly, that approaches 40,000,000 copies. This seems at least to equal the total output of books and pamphlets of all the publishers for the much larger population of Germany, Great Britain and the United States put together. Yet only twenty years ago about half

the adult population of Russia was actually illiterate!

The amazing magnitude of the Soviet publishing business has been reached only after twelve years of persistent effort. In 1914 what was then the record aggregate of 130,000,000 copies of books and pamphlets was issued by all the publishing agencies in Czarist Russia. For a whole decade after the revolution the increase was gradual and slow, the total issues in the U. S. S. R. not reaching double the 1914 total until 1928. During the last four years (1929-32) the total for 1928 has been trebled. In the current year (1933) it is estimated that nearly eight times as many copies of books and pamphlets will be distributed as in the year before the revolution, being half a dozen for each man, woman and child between the Baltic and the Pacific. Of periodical publications, such as newspapers, magazines and reviews, the total average circulation throughout the year 1928 had, in fifteen years, merely trebled. By 1933 it has again trebled, being now more than nine times the total for 1913 and amounting approximately to one of each issue for every household in the whole of the U. S. S. R.

And the business is a profitable one to the government treasury. The gross cash receipts of the Moscow Publishing House (Ogis) alone have doubled since 1924, and in 1932 exceeded 250,000,000 rubles (at par, $125,000,000). This included the incidental trade of its own retail shops in stationery, &c., and also the sales of the books of other publishing agencies. The proceeds of the books and pamphlets of Ogis itself were 120,000,000 rubles. The net profit obtained from this one establishment by the State treasury exceeds 30,000,000 rubles annually (at par, $15,000,000).

The magnitude, alike of the publishing business and of the pecuniary profit that it makes for the Soviet Government, is, however, of less interest than the wide range of its operations, the great variety of its publications, the character of its dealings with authors, the certainty and continuity of the popular demand that it meets, its economical methods of distribution and, last but not least, the censorship to which it is subjected.

It was Lenin's program when the State Publishing House was established in Moscow to bring to every family in the land in their several mother tongues, by means of cheap editions running into many thousands of copies, every kind of book deemed necessary for their culture. It was not merely the means of livelihood that the Bolshevik revolution intended to bring to the masses, but also the means of intellectual life. Put succinctly, what the Soviet Government aims at accomplishing is the substitution of a plan for a haphazard environment for every citizen. Books and pamphlets, newspapers and magazines, in the view that Lenin pressed on his colleagues, constitute far too important a part of the social environment to be left to chance, or to the perversions of capitalists aiming primarily at their own pecuniary profit. Hence the Soviet Government, and not any commercial publisher, has necessarily to plan and decide what shall be printed and published and at what price.

Putting aside the periodical press, let us survey the range and variety of this mass of printed matter which, in books and pamphlets, is year by year hurled at the heads of the 160,000,000 of population between the Baltic and the Pacific. In size and format it comprises every grade from a two-page leaflet of a speech by "Comrade Stalin," sold for one cent (the edition being 2,000,000), up to a translation of all the works of Charles Darwin in eight large volumes, published in 1931, for the centenary of his birth. Of the later the edition of 10,000 copies was exhausted by May, 1932, and is being replaced by an "anniversary edition," also of 10,000, but in ten volumes,

which will soon be out of print. A large proportion of the immense output is made up of cheap, plain pamphlets of no particular elegance. But there are also big and expensive folio volumes made up of excellent reproductions in color of the best pictures in the public galleries of the Soviet State. Many of the productions are, in fact, first rate alike in artistic quality and in technical excellence of workmanship. There are books and pamphlets in more than fifty different languages, including not only those of all the racial minorities occupying constituent territories of the U. S. S. R., but also a couple of dozen languages of minorities without separate territories, such as those of the widespread gypsies and the Syrian Hebrews, and those of more than a dozen of the nomadic tribes along the Arctic Ocean from Lapland to Bering Strait. Besides works by native authors, in all these languages, there are a large number of translations, principally into Russian and Ukrainian, from the German, English, French, Italian, Spanish, Swedish and Czech, largely of scientific and technological works, but including also fiction and the drama, history and poetry. The output of music scores, old and new, by composers of all countries is considerable.

It is difficult to ascertain exactly what is the magnitude and proportion of what may be called belles-lettres, but it is said to form as large a percentage of the works published as it did in Czarist Russia, and therefore to be, in actual magnitude, eight times as great. Russian novelists, old as well as new, are certainly well represented in the lists. Many of the best plays and novels of England and America, Germany and France are translated and issued in large editions. During the present year, it is announced, there will be issued translations of all the works of Flaubert and Balzac. It is plainly incorrect to say that it is "all propaganda."

Perhaps what most surprises the visitor is the magnitude of the editions of all these books. At first sight one is struck by the large number of short pamphlets, which might be expected to be thrown about by the ten thousand. But the 600,000,000 copies sold by the Moscow State Publishing House in 1931 contained, in the aggregate, 2,800,000,000 sheets. The average for all the 40,000 titles was about seventy pages, thus indicating a considerable output of volumes of substantial length. Indeed, the collected works of Marx and Lenin, Goethe and Darwin are issued in sets of ten or twenty thick volumes. The actual average first edition of all the publications of 1929, from pamphlets to big and expensive sets of "works," was 10,700 copies. In 1931 the corresponding average was 25,000. A rough division is made between "mass literature" (meaning pamphlets, outlines and primers, but not children's books) and works of more substantial magnitude. Of "mass literature" in 1929 the average first edition was 16,500; in 1931 it was 54,000 copies. Of more substantial books, the average first edition was 4,200 in 1929 and 11,600 in 1931. Of children's books, an edition of 200,000 is not uncommon. Any work by Karl Marx or Lenin, however ancient, topical or ephemeral, is normally printed in an edition of 100,000.

American as well as British economists (and their publishers) may be interested to learn that a thick textbook of political economy by a Russian professor whose name is unknown in capitalist countries was in 1932 adjudged worth 100,000 copies in its first printing. Of an abstruse scientific treatise of very advanced character 5,000 copies were struck off to begin with. When Pavlov, the eminent physiologist, produced his recent work recording the details of his latest experiments on conditioned and unconditioned reflexes, the Moscow State Publishing House printed 20,000 copies for sale at what was thought a high price, namely 7 rubles ($3.50). The

whole edition was promptly sold out.

What will seem even more remarkable to publishers in every country, not excluding even those of Germany, is the experience in 1932 with the first volume of Hegel's *Encyclopedia of Knowledge,* containing the "Logic," which is, even to the learned, a most intractable work. A translation into Russian was printed in 5,000 copies, which were all sold within five days. A second impression of 10,000 was immediately struck off, and this all disappeared within a month. A third impression of 15,000 copies was then issued; and three months later, when inquiry was made, it was reported to be still selling steadily, and likely to be out of print within the year.

It seems, therefore, that even these immense editions do not satisfy the demand. When remonstrated with for not printing enough, the Moscow State Publishing House explains that it can never get enough paper. In spite of a great and continuous increase in the output of the Russian paper mills, there is never enough for the publishers. Appeals for more have, so far, had to be refused by the authorities controlling the Five-Year Plan, on the ground that no greater addition of labor force can be spared for paper-making, while all the valuta produced by the Soviet exports is imperatively needed to pay for imports that are more pressingly required than additional paper.

The distribution over so vast an area of this immense mass of books and pamphlets is a great and growing task. The Moscow State Publishing House, which is responsible for at least three-quarters of the whole issue of books and pamphlets in the U. S. S. R., has now more than 7,000 distributing points under its own direct administration. It has over seventy branches, more than 200 retail shops and 400 kiosks in the cities, with over 100 village book stores and no fewer than 6,000 village kiosks, scattered all over the R. S. F. S. R. These retail shops and kiosks are kept by men or women receiving a small fixed salary together with a bonus varying according to their total sales. Many of the smaller ones afford convenient places of asylum for partially disabled workmen or soldiers or for their widows. In addition to these 7,000 directly administered retail selling points, the Moscow State Publishing House supplies the bookstalls which the railway administration maintains at the larger stations, and also such of the 45,000 separate consumers' cooperative societies as deal in books. It utilizes also the distributing organizations of the other publishing agencies, such as those of Ukrainia and of the smaller constituent republics; those of the Ministry of Education for school books as well as for scientific and technical works, and also, to some extent, the local branches of the Communist party.

It is to be noted that no use is made in book distribution of the services of drummers or travelers, nor yet of peripatetic salesmen or peddlers. There is practically no advertisement for new books in the extensive newspaper press; nor is there any but the slightest "advertisement by reviewing" in any of the thousands of periodicals. Nor is there any systematic employment of the postoffice. It is curious that, while every postoffice in the U. S. S. R. (as in Germany) will receive orders for periodicals, no arrangement is made for receiving orders for books or pamphlets, even if the price is paid with the order. In Germany and in other capitalist countries any such extension to books of the service found so useful for periodicals would be resisted by the powerful bookselling trade. In the U. S. S. R., where such an extension would be of great social value, there would be no similar opposition to meet. Probably the obstacle has hitherto lain in the low grade of efficiency of the Soviet postal service, in which an inadequate and insufficiently trained staff strives in vain to cope promptly with an ever-increasing postal traffic.

Meanwhile the Moscow State Publishing House relies principally on its own regularly published library lists, which are sent out gratuitously in two forms. One, containing some 600 titles of the week's publications, with size and price, is posted every six days to some 2,000 addresses, largely in and about Moscow itself, of the principal book-buying libraries and clubs. The other, entitled *The Soviet Book Trade,* is a combination of catalogue and review, affording descriptions of the contents of all the new publications, which is published in 15,000 copies about every ten days, and is sent to every known persistent book-buyer in the R. S. F. S. R. In the other republics much the same organization seems to prevail. Taken all in all, the book and pamphlet distributing system in the U. S. S. R., through serving a far greater area, is evidently much less expensive than those of the United States and Great Britain, and less expensive in proportion to output even than that of Germany.

The system of book distribution in the U. S. S. R. cannot be understood until it is realized that, to a greater extent than in any other country, it is one of mass supply. Textbooks for use in the elementary schools, where nearly 22,000,000 boys and girls are actually in attendance, are naturally absorbed in great masses, and have to be printed in colossal editions. But there is also a great variety of other small books and pamphlets published at low prices for popular reading, such as speeches, outlines and primers, classified as "mass literature," and supplied in large parcels to all sorts of distributing agencies. It is easy to understand that this part of the output requires no expensive publicity.

What is more remarkable is the rapidity with which relatively expensive books of scholarship and advanced treatises on serious subjects are disposed of with the very minimum of advertisement. Here the explanation is to be found in the great development of what is termed "the organized readers." There are literally many tens of thousands of permanent libraries in the U. S. S. R. of public character, each of them provided with funds for purchases of new books. Not only every educational institution from the highest to the lowest, but also nearly every club or trade-union branch, every cooperative society or branch of the Communist party, many even of the 70,000 cells of the Leninist League of Youth (Comsomols) and every one of the various other organizations strives to have its own collection of books, which it is always endeavoring to keep up to date. No sooner is a new book announced in the current issue of the catalogue than orders pour in from these libraries. This explains the extraordinary speed at which even large editions go out of print. University professors at Kiev or Kharkov complain that when a book on their own subject is announced they must order it instantly. If they delay, even for a few days, they run the gravest risk of hearing that every copy has been already sold.

Then there are the regular students among the 10,000 professors and lecturers in the hundreds of universities and the thousands of other higher centres of learning; the 500,000 teachers in the elementary and secondary schools, and the millions of students with whom they have to deal. Beyond all these there are the millions of artisans and peasants who are now being stirred up in a development of evening classes and factory courses of various kinds, of an extent, and with an assiduity, seemingly exceeding anything of the kind in America and Western Europe. A continuous demand of such magnitude and intensity permits of enormous sales without any costly distributive system.

This economy in distribution expenses goes some way to justify the very low prices at which the books are sold, while the lowness of the price explains the magnitude of the demand. As the object is not profit-

making but the widest possible circulation, the price is based exclusively on the estimated cost of each copy. The retail price is usually worked out at about 10 kopecks (5 cents) per sheet of sixteen pages, making the charge for a paper-covered volume of 160 pages about one ruble (50 cents at par). Copies in ordinary cloth covers are a little more expensive. Seven rubles ($3.50) is considered an exceptionally high price for even a handsomely bound thick volume. There is no "rake off" by intermediate profiteers. The Moscow State Publishing House maintains exclusively for its own productions some thirty printing and binding establishments, which are always working at full capacity.

The fundamental basis of the success of the Soviet experiment in publishing is, it is plain, the remarkable outburst of a craving for reading in the vast population concerned. Not, of course, everybody, but an astonishingly large proportion of the 50,000,000 or 60,000,000 people between the ages of 10 and 50 have almost suddenly become voracious readers of wide ranges of printed matter. In mere magnitude, the sudden demand for books in Soviet Russia during the past five years is unparalleled in the history of the world.

It may be of interest to the "brethren of the pen" to hear that common report declares the writing of books and plays, accompanied by occasional journalism, to be the most highly paid occupation in Soviet Russia. One author in Moscow is reputed to receive from his writings as much as 75,000 rubles ($37,500 at par) a year. The usual form of remuneration is that of individual contract in which the State Publishing House buys from the author, for a lump-sum payment, the completed manuscript and the right to publish an edition of a specified number of copies. The payment is fixed in consultation with the author after consideration of (a) the author's reputation and status; (b) the amount of work involved in writing his book, and (c) the size of the edition determined upon. When the number of copies is increased before issue, or when a further impression is required, the payment to the author is usually increased in exact proportion to the additional number of copies printed. A new edition, requiring the author's revision, is dealt with as a new book. The minimum payments are reported to be, for the usual first edition, for a work of fiction, 300 rubles ($150) per sheet; for an elementary school book, 150 rubles ($75) per sheet; for translating and editing a foreign book, from 75 to 100 rubles per sheet ($37 to $50); for an academic work of advanced kind, 150 to 200 rubles ($75 to $100) per sheet. As volumes are usually shorter than in America or Great Britain—a usual size being about ten sheets, or 160 pages—this works out at about $1,500 for a short novel and $750 to $1,000 for a short book on science.

Dramatists, as in other countries, get the highest pay, because in addition to selling their manuscript for publication in book form they receive also a percentage of the theatre receipts for each performance.

How are the manuscripts obtained? In Soviet Russia, as elsewhere, ambitious aspirants spontaneously submit manuscripts of plays and novels, poems and essays, histories and economic treatises. Not infrequently, one is told, these are accepted for publication and duly paid for, especially in the Ukraine, where nationalist pride is eager to develop still further Ukrainian literature. Whether the young and unknown writer has a better chance of getting into print in Soviet Russia than in Germany or in the United States, it is impossible to estimate. On the one hand, there is to be reckoned with what is assumed to be the characteristic apathy of bureaucracy, fortified by the real insufficiency of paper to print enough copies even of popular favorites and "best sellers." On the other hand, there is

the commercial indifference of capitalist publishers to anything not likely to sell profitably within the first year.

What is true, however, is that the various State Publishing Houses in the different constituent republics of the U. S. S. R. make a practice of selecting and, to a small extent, subsidizing—even sometimes paying for their training in their art—young and unknown writers and musical composers. To such chosen recruits, willing to undertake specific tasks that are suggested to them, 25 per cent of the payment offered may be handed over straightway, in no case to be returned. When the manuscript or musical score is produced a further 40 per cent may be advanced, on condition that any necessary revisions are promptly made. On publication the remaining 35 per cent is paid, with an assurance of further remunerative work if the first venture meets with public approval. We may wonder whether governmental selection of this kind will result in the production of many literary or musical geniuses; but it is, at least, a worthy attempt to make smooth the way of the penniless votary of the muses.

The censorship that is avowedly exercised over all publications in Soviet Russia, even though printed and issued by public organizations which are, in effect, governmental, is a stone of offense and stumbling-block to most Americans and Englishmen. In the U. S. S. R. every book or pamphlet has to bear a numbered and dated imprint of its authorization by the government censor. The inquirer is freely told that the censor allows nothing to be printed and circulated that is either pornographic or plainly libelous of individuals; either inciting to any criminal wrong against any person, or to a "pogrom" against a particular racial or religious minority; as well, of course, as anything deemed, in its tendency or effect, to be "counter-revolutionary."

Perhaps we make too much of the difference between our respective systems of control. However much a censorship may be disliked, there is no civilized country which does not have something of the sort in one or other form. How far it is open to objection depends, so the Communists explain, like so many of their devices, not so much on its theory as how it is actually worked. In Great Britain, apart from the Lord Chamberlain's licensing of plays, and in the United States, the censorship is *ex post facto*, and is exercised, though not without occasional prompting by government departments or delicate-minded public-spirited citizens, practically by the police and the magistrates, who seize and condemn as obscene or seditious whatever at the particular date and in the particular locality they choose to consider such. Authors mostly prefer this way of dealing with pornography or sedition, because it does not often trouble those whose serious works find no very extensive circle of readers and because it is usually effective only in gross cases. On the other hand, our method fails to prevent a flood of publications offensive to "respectable" people, if not actually injurious to public morals. In Soviet Russia it is claimed that it is better to have all publications considered in advance by a trained and competent authority, which can be trusted to stop the issue of much that other countries profess to punish but do not succeed in preventing.

The Moscow Censorship Commission (Glatvi) has in every printing establishment its own agent — often the manager of the printing establishment itself—whose duty it is to insure that nothing is put on the machines that has not received the necessary imprimatur. Other arrangements are made for the newspaper press and for foreign-press correspondents. With regard to the practice, it is the impression of some who have had experience that responsible and tactful foreign correspondents have not much to complain of. Actually,

reckless or malicious misstatements of fact are stopped, but sober and reasoned criticism, though sometimes delayed, perhaps for inquiry or consultation, is not interfered with. As far as books and pamphlets are concerned, the impression produced is that the censorship itself is of little importance. It is the decision of the publishing authority, not that of the censor, that maintains a proper tone in what is issued to the masses; and in the absence of any motive of private profit there is no temptation to make the publishing authority deviate from the "general line."

How far the publication of new theories in political science, or of unorthodox political opinions, is prevented by the substitution of a multitude of different kinds of State publishing agencies for the more common multitude of commercial publishers, it is impossible to estimate. The demand for additional authors is evidently considerable, especially in the provinces away from Moscow and Leningrad; and one inquirer was definitely assured in 1932 that an unknown young writer, of decent ability, new and original views on political science and a reasonable amount of tact at the end of his pen, actually had a better chance of his manuscript being published in Soviet Russia (and especially in Ukrainia and other smaller republics) than in present-day Germany. But probably it is hardly to be expected of any government that it should allow its own printing presses and distributing organization—any more than the cinema and the radio—to be made the instrument of its own overthrow.

It should be added that there is in practice more than one way of appealing against a refusal to publish a manuscript submitted by an author. Cases are cited in which an author has secured publication after refusal, either by having his complaint taken up by his trade union; or by having it made the subject of particular inquiry by the Workers' and Peasants' Inspection, which is charged to correct the characteristic evils of bureaucracy; or else by invoking the intervention of the highest government authorities. Moreover, it has more than once happened that an author whose work had been turned down by the publishing authority, has had it printed at his own expense by a printing establishment which had paper and labor force available, exactly as he might have done in England or America.

There would be no profit in endeavoring to arrive at a conclusion as to whether it is better to depend for the supply of books and pamphlets on a coordinated array of public authorities, none of them working with the motive of the pecuniary profit of any individual, rather than on the free competition of uncoordinated joint-stock corporations and private partnerships of capitalists seeking the largest possible profit for themselves. The publishing trade can nowhere stand alone. In an essentially collectivist organization of society, it will be collectivist, as in Soviet Russia. In an essentially individualist organization it will be individualist. It would be more profitable to consider the drawbacks and diseases to which each form is specially liable. How could wise collective action help to keep profit-seeking publishing to the line of public advantage? How could exceptions permitting an expansion of individualist freedom of independent action mitigate or remove some of the manifest drawbacks of too exclusive a collectivism? These are questions which public-spirited American publishers, on the one hand, and intellectually curious Soviet officials on the other, are perhaps already considering.

Irving Langmuir, Scientist

By WILLIS R. WHITNEY

[The author of this article, under whom Dr. Langmuir made his start in research work, is also an outstanding figure in American science. Dr. Whitney, whose training was in chemistry, was from 1900 to 1932 director of the research laboratory of the General Electric Company at Schenectady, N. Y., and since 1928 he has been vice president of the company in charge of research. He has also been long connected with the Massachusetts Institute of Technology, has taken part in numerous scientific and technological activities and has been awarded many honors and distinctions for his achievements.]

DR. IRVING LANGMUIR has been given the Nobel Prize for scientific accomplishments. What marked the career thus honored? When he was a youth he hated school and its discipline, but he liked teachers and laboratories. He could not be driven, but he was keen to go. He wanted to climb Swiss mountains, and climbed *them as soon as permitted. By* continuous curiosity coupled with energetic effort he has contributed much to science. I shall try to sketch something of what I have seen in the man and his work during the past twenty-five years, with the hope of helping young men and boys rather than instructing the elders.

Langmuir was born in Brooklyn, N. Y., on Jan. 31, 1881. After graduating from Columbia University he specialized in physical chemistry under Professor Nernst at Göttingen, Germany, and there in 1906 obtained his doctorate. He then served as an instructor at Stevens Institute of Technology from 1906 to 1909. Like many other young men wishing to try research, he spent a Summer in the research laboratory of the General Electric Company, where he has remained ever since 1909. Encouraged to ruminate among men and problems, his interests and characteristics were quickly disclosed. Some promising research men are so tempted by urgent calls of manufacturing difficulties that they metaphorically divest themselves of their protecting clothing and quickly plunge into depths of factory troubles unfathomed by all previous experts. Not so Langmuir! He was destined to be a good helper (or life preserver), but a still better pioneer. His methods develop principles of new utilities instead of putting patches on the old. By taking interest in primary causes he discovers the bases on which absolutely new things may be built. At Göttingen Langmuir's natural inquisitiveness was thus further stimulated and to it was added well-ordered knowledge. He seemed made to order for American scientific research. It was therefore with great pride that the research laboratory of the General Electric Company watched his growing honors. His medal record is in *Who's Who,* but it is too early to find there the recent $10,000 award from the *Popular Science Monthly.* The pleasure of that had not declined when the Nobel Prize was announced.

Langmuir is a "regular" fellow, with unusual energy. He still retains his interest in Boy Scouts and delights in mountain climbing, skiing, flying and taking movies. He excels in each, so that one does not think of him as a "grind." He sometimes exhibits the accepted mental preoccupation of the scientist. It is probably true that if the waiter at his club placed a used plate before him, Langmuir would

think he had dined. Of the honors heaped upon him by his colleagues in this country and abroad he has displayed an almost boyish appreciation —and forgotten them. If there is any vanity in him, I have never seen it except, perhaps, when he has beaten his wife at anagrams.

For many years he has camped and skied in the Catskills and the Adirondacks. Because of his keen anxiety to preserve our State forests for future public good, he has identified himself with far-seeing movements to defend that part of the fundamental law of New York State which preserves State lands in their natural condition.

Youth interested in fitting into an expanding universe and looking to science, because of its natural appeal, is not encouraged by gloomy suggestions of a moratorium in science, or suspension of truth-gaining. Men of the Langmuir type point to an improving world. We are not injured by knowledge, but by its ignorant misuse. When electricity was unchained lightning, Benjamin Franklin wrote: "If there is no other use discovered of electricity, this, however, is something considerable, that it may help to make vain man humble." If study of atomic structure (one of Langmuir's interests) merely proves that what we think we know changes with research, it is still of value. The atom of Democritus was simple and indivisible for centuries, but that idea, like Washington's on foreign relations, had to be given up because the atom was revealed as divisible, very complex and of wonderful interest and promise.

Langmuir seems to be always questioning old authorities, just as Francis Bacon did, and Kipling's ten million serving-men, "hows, wheres and whys," forever work for him. He was interested in the growth of ice, for example, and he tried to learn what factors would be necessary to predict the rate of growth after a certain thickness was reached. And wh years later, he saw a peculiar, sud disappearance of the ice on La George, he could not rest until he h found the explanation. He got t habit of thinking that most obser tions of nature are too superfici Langmuir's success comes from l appreciation of the newly known a his keen desire to add to it. He h caused new factories to be built things too small to be seen with t naked eye, and one marked contrib tion to industry is based upon hali hydrogen molecule.

I shall naturally describe his tech cal achievements more easily than many purely scientific discoveri The former, important as they are you and me, are mere by-products the latter. I cannot expect, howev to explain the phase rule, for examp much less the important bearing of work upon it. I must deal here w comprehensibles rather than fun mentals.

As research advances we need n words even if they never become c loquial. I distinguish between *re*sear and re*search*. The archaeologist d up the past and the anthologist re it up. This I call *re*search. But re*search*, with emphasis on the *sear* I mean the effort of a constructiv anticipating innovator. Langmui work exemplifies both meanings. I imagination has bodied forth t forms of things unseen, and his p has "turned them to shapes and giv to airy nothingness a local habitati and a name." He has published abo 150 scientific papers, and has int duced new words and new meanin His "pliotron" and "kenotron," bei vacuum tubes, are quite like "a nothingness." The usage of su terms as "space charge," "sheat and "plasma" in current electrical l erature originated with him. But would be futile for me to try to expla them here.

From the beginning of the Resear Laboratory of the General Elect

Company the staff has held "colloquia," weekly meetings at which is discussed some recent contribution to the literature of science or some new discovery, usually outside the work at hand. In this Langmuir at once took active part. He prepared many addresses involving hours of reading and study, and these were equal to lectures delivered before scientific bodies anywhere. They contributed greatly to the interests of a large group of research men.

During the war he was very active in the field of submarine detection. Many of the devices which resulted from the studies of our large group of research men were practically applied in foreign waters. They were mostly based on subaqueous listening devices with various adjuncts which gave the operator the direction of the submarine from the listening "chaser." In this way we could follow the submarine and also determine when it was close enough for use of depth bombs. Langmuir distinguished himself in the practical part of this work. Some of us, when following an American submarine on a little chaser in rough weather, failed to enjoy ourselves, but Langmuir was always on his feet and keen to carry on even when the submarine was driven to harbor by bad weather. His physical and mental control at such times constitutes his most vexatious attribute.

Not so long ago atoms were the limits of things in chemistry and it seemed impossible even to prove their existence. Langmuir has played with them as with realities and has contributed largely to our knowledge of their smallest parts—of the electrons and protons and of their likes and dislikes. The radio industry is built around this kind of knowledge. When he began studying the loss of current from a hot filament in a vacuum (the Edison effect), no one knew that negative electrons were shooting from the surface of the filament. A mathematical equation had been proposed to cover such an eventuality, but up to the time of Langmuir's work it could not be proved. The electrons are now known to be little, controllable parts of electricity, and we use them in radio tubes not only as detectors to displace the former iron filings but also, in vast swarms, we electrically direct and drive them through vacuum and vapors for purposes of broadcasting, rectifying, circuit-breaking and so forth.

The Swedish Academy which chose Langmuir for the Nobel Prize, worth $30,000, is made up of scientists who value his purely scientific contributions, but I shall describe a few which have already proved of public service.

Langmuir's work lies on the dividing line between physics and chemistry. He has described part of it as "the mechanism of chemical reactions which take place on solid surfaces." Take the simple substances, ice and water. Can you imagine any field between them? Langmuir does. It is an important chemical and electro-magnetic field of great action. Ice is a well arranged lot of similar atomic structures held in place by some sort of mutual desire, chemical force or electric field. Water is quite different. All its parts are alive, down to the last electron. If Langmuir had not successfully studied the surface between such things he might not have bettered vacuum lamps, discovered gas-filled lamps, improved radio tubes and given us atomic hydrogen welding torches.

Langmuir studies chemistry on solid surfaces. To illustrate with a single substance, take the surface between growing ice and water, where chemistry seems simple. I think of the ice as a swarm of bees. As the bees collect they form the solid mass. On its surface others arrive. Many fly off again, to come back later. Others wander aimfully over the surface and finally settle down, apparently satisfied. They all insist on

facing inward and mostly upward. Verve and design dominate that outer layer. These suggest chemical attractions. If we substitute some other solid for the ice, or the swarm, and any other mobile or volatile substance for the water, or the bees, we shall discover films of the greatest theoretical and practical interest.

"The chemical activity of any solid surface," Langmuir has written, "depends upon the nature of, the arrangement of and the spacing of the atoms forming the surface level, and there is a close relation between the chemical activity of a surface and the electron emission from it." By substituting hot tungsten for ice, or the swarm, and thorium atoms for the water, or the bees, Langmuir showed how to increase the amplifying power of radio tubes a hundred-thousand fold. He appreciated the importance of an active surface film only about one atom thick. Thicker films are not so good.

Observing, studying what takes place at the surface of hot tungsten filaments in vacuum, he introduced infinitesimal quantities of different gases. His refined analytical methods developed new facts which are not related to lamps alone. The inside darkening of vacuum lamps was found to be due to traces of water on the inner surface of the glass. Each molecule acted, by chemical reaction, as a sort of ferry continually carrying metal from the filament to the glass, and so blackening it. Space will not permit a description of the effects of other gases, but he incidentally discovered that hydrogen was split into its atoms. These had not been available before. He showed that hydrogen atoms formed reactive films on the solids present and became so excessively active as to burn with oxygen even when kept very cold artificially. He found he could get quantities of this atomic hydrogen in an electric arc between tungsten electrodes. A blast of atomic hydrogen burning in the air produced a temperature not attainable by any other combustion process, and this became the atomic hydrogen welding torch. This is now used in welding various metals where the highest temperatures and quickest melting are required.

The discovery that better incandescent lamps could be made by filling them with gases, after half a century's effort at improving their vacua, was one of the most remarkable results of Langmuir's studies. By intense refinements he had learned the rate at which tungsten evaporates at different temperatures in a vacuum. Thus he knew the maximum temperature at which it would withstand the necessary thousand "burning hours" of good lamps. And then he found that mere molecules of certain gases, put into the bulb, interfered with the evaporation, just as obstacles would interfere with bees leaving a swarm. This new discovery alone did not produce the better lamp; Langmuir coupled it with another fact not generally known. At very high temperatures gas molecules very near the heated surface are so excited that there is about as much heat a short distance away as right at the surface. This means that the heat convection (not the light) from a large filament is only little greater than from an equally hot smaller filament; that is, heat-loss in gases, usually proportional to the surface of the solid, is no longer proportional for very small wires. So by winding very fine tungsten filaments into larger dimensional helices, the light production was relatively increased. This and the interference effect of the gas molecules already mentioned produced incandescent light at half the cost previously attained. Nearly all incandescent lamps in the world are now made that way.

Thus two important results, better lamps and a new electric welding process, came directly from this study of films.

This has been a long but desirable

introduction to some of Langmuir's purely scientific work. I refer to his part in advancing beyond the hard, round-ball stage, our knowledge of the atom, its attractions for other atoms and its electrical nature. Scores of scientists cooperated in advancing the views of matter through which we are now passing. Becquerel, Curie, Röntgen, Thomson, Rutherford, Millikan, Nils Bohr and Lewis are some of them. Langmuir is among them. Bohr pictured a perfectly wonderful model—a celestial prototype, consisting of negative electricity in minute isolated planets revolving in definite orbits around a central sun. Each different kind of atom differed in the number of satellites, but the whole ninety-two (all our known elements), with many of their properties, seemed predictable by merely applying laws of astronomy. Lewis suggested that the arrangement of the electrons might account for the chemical characteristics of atoms. This was a great step forward for chemistry and physics.

Among Langmuir's contributions were his so-called "eight chemical postulates." These were really reasons for the arrangements which different atoms take in forming compounds. In 1919 Ellwood Hendricks, the well-known chemist and writer, came to Schenectady and spent days with Langmuir in order to put in readable form some of the ideas resulting from these studies of the Bohr atom. This was published under the title, *The Langmuir Postulates.* I shall not explain any of the eight, but I dare not omit them altogether because the properties of compounds and the orderly arrangements of molecular films depend upon them.

Electrons in atoms may be in regular motion, like planets in orbits, but, in any case, there is a spatial regularity of arrangement for them. This is probably the most orderly possible, when their various electrical attracting and repelling forces are strictly obeyed. On this basis, some kinds of groups (atoms or compounds) must be more stable than others, and the chance of one kind of collection combining with some other must depend on the new combination answering the final requirements of order or harmony better than before the union. According to such reasoning, Langmuir showed, for example, that the physical properties of molecular nitrogen and carbon monoxide are similar, and might have been predicted. The chemical inertness of such gases as argon and neon became also explicable, and such great chemical avidities as between chlorine and sodium are to be expected. In other words, chemistry is due to electro-magnetic force acting between atom and components.

Such is the alluring way of Langmuir's films, where surface absorption, with all its implications, offers an entirely new map of chemistry. The directing instinct of swarming bees is a narrow view. It becomes complicated when we recall that chemistry starts with ninety-two entirely different kinds of "bees."

It was known in 1889 that light falling upon certain metal surfaces made them electropositive. Small electric currents flow from such illumined surfaces so long as the original loss is made up. This simulates the loss of electrons from the filament of the radio tube, with light replacing heat. This is again a surface film process to which the new methods are being applied. Without trying to explain these photoelectric surfaces, and because I want to point out further interesting consequences, compare the photo surface to a slice of bread and butter. In the simplest photo cell, copper or silver takes the place of bread. Its thickness is unimportant, but on it is spread a thin film of caesium, for example. But the best photo cells are still further filmed. Epicurean taste demands some jam with the butter. Therefore in the best cells the silver surface is "buttered" with a very thin film of

silver-oxide, by using a process called "molecular bombardment." After that the caesium is added as another film, and the whole is baked in an oven. Then the caesium, oxygen and silver complete their film orientation and we have the active cell.

But I have used too simple analogies. While we just spread butter and jam in practice, Langmuir knows that the molecules in the films, like the bees of the swarm, must be right side up with care and attached in an orderly way, if the surface is to be the electrically seeing eye.

Generally, a one-atom film is a new thing and a two-atom film is new but is something else. Matter is not thick enough to show its usual properties until still thicker. This accounts for the novelties of very thin films.

When we pulverize solid substances, thus emphasizing or increasing the surface, the fine particles, much grosser than atoms, show active motility and characteristic electric charges when suspended in water. Particles of opposite charge then actually come together, and the neutralized combinations lose their motion and "solidify." Thus the chemistry of mere aqueous suspensions, as distinct from solutions, is solid-surface chemistry. This in turn merges into solid growth, and perhaps even into life processes. The simple swarm grows by accretion of bees, but here countless different kinds of "bees" may take part with likes and dislikes, and thus the growing solid may have unheard-of qualities. But this is not all. Active films are often responsible for new compounds which, after forming, do not adhere, but move quickly away. Certain films cause the rapid combination of such things as hydrogen and oxygen, illuminating gas and air. This reaction is so intense that everything gets heated and so we have some of our gas lighters and our glowing Welsbach mantles. Our important fertilizers, such as sulphuric acid, ammonia and nitrates, are all made nowadays by powerfully reactive molecular layers on surfaces of inert solids. Langmuir has found unlimited interest here. The mysterious actions in so-called chemical catalysis are being made clearer by study of surface films.

The present trend in physical science is toward abstract mathematical conceptions of nature as distinct from mechanical, pictorial or model representations. Time and space, which we think of as "real," are actually so related that neither one can be considered as independent of the other. This is an Einstein fact. In light we are forced to visualize the apparently incompatible models, a wave and a corpuscle, i. e., an imaginary, all-pervading ether and (not or) optical birdshot (photons). Langmuir has taken special interest in such mathematical conceptions, but his willingness to test the possibilities of materialism account for many of his useful discoveries. His researches on the structure of the atom and the activities within it are practical evidence of the value of images which form no part of pure mathematics. While extending his experiments toward improved models, he knows that such devices are inadequate for complete comprehension.

Langmuir's greatest contributions to science have thus come from his having extended his picture of matter according to the coldly logical requirements of growing theory. But he is the last man to expect to see *finis* written over any fundamental phenomenon. "All our pictorial representations," he has written somewhere, "are probably entirely too crude, and it may never be possible to express natural fundamental things, even by mathematical formulae."

Current History in Cartoons



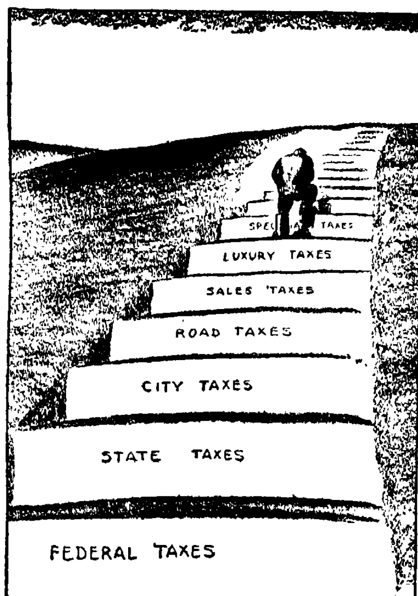
The old hoss rears up
—St. Louis Star



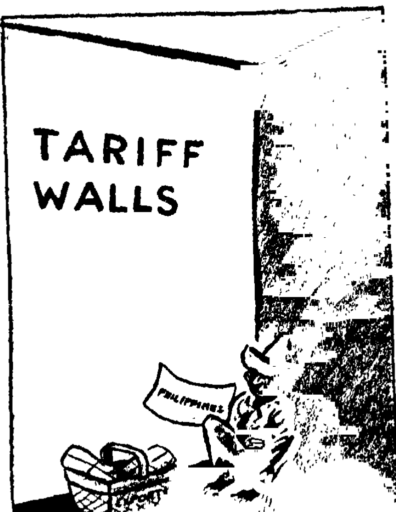
We hope it's as easy as it looks
—New York Herald Tribune



Old man magic himself
—New York Evening Post



Over the hill to the poorhouse
—St. Louis Post-Dispatch



The new freedom
—Boston Transcript



A Latin-American cousin goes Mussolini on us
—Baltimore Sun



"As I am being dismissed in March, you may as well get used to the work"
—De Groene Amsterdammer



The new missionary arrives

—*The Daily Express*, London



"We must uphold the sanctity of international treaties"

—*Dallas News*



"All in favor of disarmament, please raise their hands"

—*Izvestia*, Moscow



Crusoe—"Hand me up those arrows, bo. This looks like a big fellow"

—*Glasgow Evening Times*



(The Hungarian State Railway is to pay its debts in pigs in the future)
"Can you change a 100-pengo note for me?"

—*Der Goetz*, Vienna

A Month's World History

America's War-Debt Policy

By JAMES THAYER GEROULD
Princeton University; Current History Associate

THE difficulty of negotiating a reasonable settlement of the war debts problem is at present complicated by the fact that, until the President-elect is inaugurated, no one in the United States has real authority to enter into negotiations. Between Mr. Hoover and Mr. Roosevelt there is a sharp difference of opinion as to procedure. The President neither desires, nor is he able, to commit his successor to any specific line of action. Meanwhile the delay is trying to nerves on both sides of the water. The debates in the Senate during the last month have done nothing to mollify French opinion, nor has the situation been eased by the unfortunate controversy over the implications of the Hoover-Laval communiqué of Oct. 25, 1931. M. Laval, and with him the French nation, interprets it to mean that if reparations were adjusted an arrangement could be made about the debts. This Mr. Hoover denies. The text of the communiqué is, in fact, so vague that either reading is possible. The fact remains that, whatever interpretation was, and is, placed upon it in Washington, the document furnished the foundation on which the Lausanne agreements were built, and without it they would have been politically impossible.

Despite the impasse resulting from the Hoover-Roosevelt telegrams of Dec. 17-22, a step in advance was made on Jan. 20 when the President-elect called at the White House and, after a conference with Mr. Hoover, which was attended by Secretaries Stimson and Mills and by Messrs. Norman Davis and Raymond Moley, a statement was issued reading as follows:

> The British Government has asked for a discussion of the debts. The incoming administration will be glad to receive their representative early in March for this purpose. It is, of course, necessary to discuss at the same time the world economic problems in which the United States and Great Britain are mutually interested, and, therefore, that representatives should also be sent to discuss ways and means for improving the world situation.
>
> It was settled that these arrangements will be taken up by the Secretary of State with the British Government.

This invitation was immediately sent to the British Government through Sir Ronald Lindsay, the Ambassador. The action resulting from the conference involved a modification of Mr. Roosevelt's announced program of dealing with the debts only after he had assumed office, and then only through the established diplomatic agencies.

It gave rise to the inference that a discussion of the debts would involve a consideration of compensating advantages to the United States should they be readjusted. After the conclusion of the conference Mr. Roosevelt let it be known that, although the statement referred specifically to Great Britain, the same procedure

might be employed by France and the other debtor countries. France seems to have determined to postpone action awaiting the result of the Anglo-American negotiations; but on Jan. 23 Augusto Rosso, the new Italian Ambassador, acting, as he said, without instructions, called on Secretary Stimson to inquire as to the preliminary steps necessary to bring the Italian debts under discussion. Similar inquiries were made by Czechoslovakia, Lithuania and some other countries.

The British reply was received on Jan. 25. It accepted, in cordial terms, Mr. Roosevelt's invitation to discuss with him the debt situation and "those other matters in which the two governments are so closely interested," and then went on to say: "It will be recognized that decisions on matters which constitute the subject of the approaching world economic conference and which affect other States cannot be reached before discussions take place at that conference between all the States represented there." This last sentence was interpreted to mean that the British do not look with favor on Mr. Roosevelt's scheme for securing trade and other advantages in exchange for concessions in respect to the debts. It is obvious, of course, that the final decision in regard to many of these economic and financial questions cannot be reached in any bilateral convention.

The speech made by Neville Chamberlain, Chancellor of the Exchequer, the day before the note was dispatched, was doubtless intended quite as much for its American audience as for the British public, and designed to be read in connection with the note which was ready for delivery. He argued forcefully that it is as much in the interest of the creditor as of the debtor that the debts should be written off. That further payments can be made in gold he regards as impossible. Credits necessary for payment can only be accumulated by increasing the sales of foreign goods in America or by decreasing the volume of American goods sold abroad, the former through a reduction of the American tariff, and the latter either by building still higher the walls shutting out American goods from Europe, or by depreciating the currency so that their purchase is impossible. Mr. Chamberlain summed up as follows:

> We believe the total cancellation of war debts and reparations would be the best thing that could happen to the world as a whole, but if that is going further than American opinion is yet prepared to accept, we shall gladly discuss with our American friends, whenever they are ready to receive our representatives, the lines on which an agreement can be reached, bearing in mind two things which seem to us essential:
>
> First, that the settlement to be reached must be a final settlement; second, that it must be one which will not involve a resumption of the claim on Germany for reparations, which it was the object of the Lausanne settlement last year to end.

Mr. Roosevelt was sufficiently aware of the realities of the situation to modify still further his expressed policy of detachment by inviting Sir Ronald Lindsay to Warm Springs, where on Jan. 29, just before the Ambassador's departure for London, the two men had a four-hour conversation. While both agreed afterward that their discussion had been "satisfactory," it is evident that there is some distance to travel before British and American opinion can meet on common ground, and that the road thither is a rough one.

Mr. Chamberlain was subjected to a certain amount of criticism by the press for speaking to the United States as bluntly as he did in this speech. For instance, the *Observer* of Feb. 4 commented: "It is useless—or worse than useless, it is foolish—for British enthusiasts to tell the American taxpayers that remission is all for their own good. No argument is more maddening. The only point is that the debts are in fact dead. The problem is whether the United States and the

whole world are to make the best of a bad business. In that choice the guide is the common sense and a sense of business-like practice. American thought is wholly competent to judge for itself after the facts are explored."

Speculation regarding the terms of agreement is futile. There is a possibility that bonds, amounting to a billion or two of dollars, may be offered as in final settlement, but it is very doubtful if they will be accompanied by unilateral tariff concessions or by the promise of an immediate return to the gold standard. It remains to be seen how much the American people are willing to pay for the restoration of normal economic conditions.

WORLD ECONOMIC CONFERENCE

As was implied in the British note of Jan. 25, a final decision regarding many of the questions at issue must await the convocation of the economic conference at a date that has not yet been determined. The Preparatory Commission, on which Edmund E. Day and John H. Williams represented the United States, sat in Geneva from Jan. 9 to 19. Before adjourning they adopted an extensive report containing an agenda for the conference covering six major points: (1) Monetary and credit policy, (2) prices, (3) resumption of the movement of capital, (4) restrictions on international trade, (5) tariff and treaty policy, (6) reorganization of production and trade. Since the American delegates signed the report, it would seem that our government had receded from its ineffectual attempt to prevent the discussion of inter-governmental debts and tariffs before the conference.

The report amplifies and explains the purpose of the agenda. It advocates the return to the gold standard, the reforms proposed by the League's gold report, including measures that will result in a more equitable distribution of the world stock of metal. Little comfort is supplied to those who hope for the remonetization of silver. Something can be done toward the raising of the price level by an adjustment of capital and labor costs and by the limitation of production, but it must largely depend on the restoration of confidence and the consequent increase in the demand for goods.

Commenting on the resumption of the movement of capital, the report advocates the gradual release of the "frozen credits" through the abolition of exchange control, and the reduction in the volume of the obligations by their payment in goods. It holds that restrictions on international trade, by quotas and similar measures, designed to reduce the effects of the crisis, "have, on the contrary, made the position worse, and contributed dangerously to the prolonging of existing difficulties." Tariff barriers must be lowered by means of an effective truce and collective agreements, with exceptions made in the application of the most-favored-nation principle. Concerted action of governments in the supervision and regulation of trade is desirable, but systems of national subsidy should be abolished.

The League Council has accepted the nomination of Ramsay MacDonald by the organizing committee, and he is to act as the president of the conference, but it is as yet unwilling to set a date on which it will be convened.

OBSTACLES TO DISARMAMENT

Progress toward disarmament is discouragingly slow. Every time that something seems likely to be accomplished, one or more of the great powers interposes an objection, and nothing of importance is done. The bureau of the conference, which reassembled on Jan. 20, has adopted a draft of the proposed treaty establishing a permanent commission to supervise the enforcement of regulations which may later be accepted, and is proceeding to the discussion of the American, British and French plans for attaining disarmament, plans so diverse in

character that it will be exceedingly difficult to bring them into a semblance of harmony.

Disagreement is not only on matters of principle, but it appears quite as sharply on questions of detail. The public assumed from the resolution of July 23 that gas warfare was to be prohibited, but now it appears that even this is uncertain. The delegates of the United States desire the right to continue experimentation; and, on Jan. 30, Captain Eden of the British delegation took the ground, which a year ago was repudiated almost unanimously, that the best way to prevent gas attacks is to allow the right of immediate retaliation. M. Rutgers of Holland, the rapporteur on gas warfare, immediately called attention to the fact that the admission of this right would nullify and make ineffective the efforts of the permanent commission to determine the responsibility for any violation.

Efforts to control the international traffic in arms are still blocked in the Senate. President Hoover on Jan. 10 again requested action either on the treaty of 1925 or by extending the power of the President to deal with specific cases. The message was accompanied by a letter from Secretary Stimson in which he rehearsed the history of the efforts to secure regulation. He referred to the convention of 1919, which was signed by our delegates, and declared that our failure to ratify it "was one of the principal reasons why it was not ratified by a sufficient number of States to bring it into force." The Geneva convention of 1925 was drawn with the purpose of meeting the objections advanced by the Senate; although it had been transmitted to that body by President Coolidge on Jan. 11, 1926, no action on it has yet been taken. In the meantime the government is being hampered in its efforts to deal with certain existing situations, and in its efforts to secure the inclusion of proper provisions in the disarmament treaty. If it still proves impossible to secure ratification, power to act should be conferred on the President as soon as possible.

Although the Foreign Affairs Committee is unwilling to report the 1925 treaty, it brought before the Senate on Jan. 11 a joint resolution giving the President authority, after securing the cooperation of other governments, by proclamation to make it "unlawful to export, or to sell for export, * * * any arms or munitions of war * * * to any country whom he may designate." This resolution was passed by the Senate, but pressure from the arms manufacturers was sufficient to secure its reconsideration, and it now lies on the table. A similar resolution was introduced by the House Foreign Affairs Committee on Jan. 30.

THE FORTY-HOUR WEEK

A preparatory conference called by the International Labor Office to consider the establishment of the forty-hour week as an aid in combating unemployment was in session at Geneva from Jan. 10 to Jan. 25. Delegations, in most cases consisting of representatives of governments, of the employers and of labor, were present from thirty-four countries. No delegation was accredited by the United States, but Consul Gilbert was directed to be present as an observer. The British opposed the whole scheme, and the delegations were divided, generally as between employers and employed, as to whether the shorter week should be accompanied by a corresponding decrease in wages. It was finally decided to convene another conference during the coming Summer to give the subject further consideration.

The President-Elect at Work

By E. FRANCIS BROWN

THE man of the month in the United States has certainly been Franklin D. Roosevelt, President-elect, and, if one can judge from his place in the news, acting President as well. A retiring President is never showered with honor or attention; his last four months in the White House are always months of eclipse, but seldom has a President been pushed aside so completely as has Herbert Hoover since last November's election.

The reasons for this lie not with Herbert Hoover or Franklin Roosevelt; the situation arises from the exigencies of domestic and foreign politics which demand an assumption of leadership on the part of the President-elect before his inauguration. The foreign relations of the United States are critical; it has been necessary to know what stand the incoming President would take upon the war debts, toward the Manchurian embroglio. Possibly with some reluctance Mr. Roosevelt conferred first with Secretary Stimson, then with President Hoover and finally with Sir Ronald Lindsay, the British Ambassador, until to outsiders it seemed that through Secretary Stimson the President-elect was directing American foreign policy—at least in so far as war debts and the Far East are concerned. [For a further discussion of these aspects of foreign policy, see Dr. Gerould's article on pages 715-718 and Professor Dennett's monthly contribution on pages 764-768 of this magazine.]

The participation of the President-elect in domestic politics, while not so apparent, has been no less real. On Jan. 5 he conferred with the Democratic leaders of Congress at his home in New York, a meeting which does not seem to have borne much fruit since its only proposal—the raising of income tax rates as a further source of revenue with which to balance the budget—was quickly rejected by Congress. On the other hand, Mr. Roosevelt was known to be in constant communication with some members of Congress and he conferred with several of them during his stay in Washington late in January.

On most questions the President-elect has kept his own counsel. He did, however, declare for reorganization of governmental bureaus and asked for a Congressional grant of wide powers to that end. He has continued his insistence that the costs of government be reduced by 25 per cent and has studied the possibility of making the necessary cuts. Except for his announced opposition to a sales tax and his advocacy of a rise in income tax rates, he has not committed himself in regard to new sources for revenue. He has expressed his desire for the passage of some sort of farm relief at the present session of Congress and also for the legalization of beer. But with his customary political wisdom he has not sought to drive a Congress over which his power is still somewhat shadowy, reserving the exercise of leadership until after March 4 and until the convening of the inevitable special session of the Seventy-third Congress.

A multitude of problems have pressed upon the President-elect as he has spent hours in conference with leaders of many fields of public activity in preparation for the responsibilities which are soon to be his. In New York, at Hyde Park and

later at Warm Springs, Ga., Mr. Roosevelt was seldom without the company of some political figure, industrialist or financier, while his confidential advisers were never far away. During the weeks of consultation policies were being formulated for the incoming administration. Most of these remained secret. Mr. Roosevelt did declare, however, in a speech at Montgomery, Ala., on Jan. 21, that he would take steps to put the government-owned power and nitrate plant at Muscle Shoals into operation.

One of the most irritating problems for an incoming President is that of patronage, a problem made even greater if he represents a party that has long been out of power. For the moment Mr. Roosevelt seemed to give it less attention than the all-important need of building a Cabinet.

As Mr. Roosevelt laid the foundations for his administration, the last lame-duck Congress went slowly about its business. On Jan. 23 Missouri became the thirty-sixth State to ratify the Constitutional Amendment abolishing the lame-duck sessions of Congress and providing for the inauguration of a President on Jan. 20 instead of the traditional March 4; the new amendment will take effect on Oct. 15, 1933. Ratification was achieved without opposition—a strange contrast to the long fight of Senator Norris to force its adoption by Congress.

Largely because of the absence of party control, the record of Congress promised to be unimpressive. The fundamental need of balancing the budget was set aside on Jan. 18—after a special budget message had been sent by President Hoover—to be taken up at the special session of the new Congress. Meanwhile, the annual appropriation bills were to be passed, but as far as possible with reductions. On Jan. 30 the House continued the 1-cent-a-gallon tax on gasoline until June 30, 1934, the only tax bill, except that on beer, which was expected to be put through Congress at the present session. On Jan. 19, the House, voting on strict party lines, rejected President Hoover's proposals to reorganize governmental agencies for greater economy. It then became the Democratic purpose to enact legislation which would endow the incoming President with all but dictatorial power for readjusting governmental organization.

President Hoover on Jan. 24 vetoed the first deficiency bill carrying appropriations of $35,000,000, which had been passed by Congress a few days earlier, because of a provision that all tax refunds of more than $20,000 must be approved by a joint Congressional committee before being paid. The veto was based upon an opinion of the Attorney General that the provision was unconstitutional and would invalidate the appropriations in the bill itself. A new supply bill without the refund provision was quickly reintroduced and passed by both houses of Congress; $28,000,000 for tax refunds which had been included in the first bill was omitted in the rewritten form, but was expected to be added to a second deficiency bill that would be passed before the end of the session.

With all the annual appropriation bills still pending in Congress, the White House issued a statement on Jan. 30 declaring that the bills which had then been reported out of committee exceeded budget estimates by $163,319,642. None of the appropriation bills had been acted upon by the Senate on Feb. 1; the House, however, had passed the appropriations for the Treasury, Postoffice, Interior, Agriculture and War Departments and had under consideration bills for the Departments of State, Justice, Commerce and Labor. That any great economies can be expected in these appropriations is doubtful, while it need not cause surprise if in the end the budget estimates are exceeded, thus adding further to the probable governmental deficit of $2,000,000,000 at the end of the fiscal year. The entire problem is to be among those which will tax Mr.

Roosevelt's ingenuity for a solution.

The Collier beer bill, legalizing the sale of 3.2 per cent beer, was passed by the House on Dec. 21, but was completely rewritten in the Senate. The Senate bill, which was reported from the Judiciary Committee on Jan. 23 and a week later finally reached the floor of the Senate after review by the Finance Committee, provides for the sale of beer and wine with an alcoholic content of 3.05 per cent by weight. If this bill is ultimately passed by Congress and, what is more doubtful, signed by the President, it may, according to testimony of Secretary Mills, produce a revenue of from $125,000,000 to $150,000,000.

Before the Senate, also, is pending a resolution repealing the Eighteenth Amendment and substituting for it a new article giving Congress the power to regulate or prohibit the open saloon and to prohibit the transportation or importation of intoxicating liquors into any State or territory whose laws prohibit the use or delivery of such liquors. Ratification would be by State Legislatures. Meanwhile, the House, in voting the appropriations bill for the Department of Justice, cut about 10 per cent of the amount available for prohibition enforcement and made it illegal for enforcement agents to employ wire-tapping, use stool-pigeons or purchase liquor for evidence.

The third problem which has stood out in the present session is farm relief. President-elect Roosevelt has repeatedly let it be known that he was anxious to have some measure of farm relief passed, but the outlook is full of uncertainty.

The House on Jan. 12 by a vote of 203 to 151 passed the farm-parity bill, which offers special bonuses to producers of wheat, cotton, hogs, tobacco, rice, peanuts and butter fat, provided they curtail production. Prolonged hearings before the Senate Agricultural Committee, followed at which farmers, packers, textile manufacturers and millers stated their position on a measure which, if made law, even its proponents admit would be difficult to administer. Many who supported the bill in principle believed that it embraced too many farm products and should be restricted to wheat and cotton with the possible addition of hogs and tobacco. That the bill is only a palliative is undeniable. "It would," said an Iowa hog raiser, "provide a stimulant, but we're not interested in a stimulant; what we want is a cure." Its eventual effect on the mass of consumers is hard to foresee; one suspects that it would be no more burdensome than the present tariff on manufactured goods and that those who protest against the bill because of its unfairness to the buyers of foodstuffs do so from selfish motives rather than out of regard for the importance of restoring farm-purchasing power.

The parity bill, which seeks to raise the price of agricultural products, is only one of the measures for relief now before Congress. Perhaps more important, although at first it did not arouse much interest, is the bill sponsored by Senator Robinson of Arkansas which would set up a $1,000,000,000 corporation to make 3 per cent loans to the farmers. In addition, $300,000,000 would be used to establish a revolving fund for the retirement of farm-loan bonds bearing higher interest. Other provisions of the bill seek to strengthen the Federal Land Banks in order that they may be in a better position to refinance farm loans and mortgages. Senator Robinson, in commenting on his bill, explained that it was intended to "stop the wave of farm foreclosures and provide a simple means for the voluntary composition or extension of debts of good farmers who are unable to meet their financial obligations." Other bills of a similar nature have been introduced in the Senate and House.

The need for farm relief became more and more apparent during January as reports came from the Middle

West of successful attempts to prevent Sheriff's sales of farms on which taxes were overdue or mortgages had been foreclosed. From Ohio and Pennsylvania westward to the Rockies there were stories of threats of violence which prevented sales or forced the creditor to sell property at ridiculously low figures. Legislatures of the agrarian States have been besieged by farmers' delegations, fighting against mortgages and taxes, demanding moratoria and tax reform. On Jan. 19 the Governor of Iowa issued a proclamation asking mortgage holders not to foreclose until legislative bodies had an opportunity to enact emergency relief legislation. A similar appeal had been made by the Governor of Wisconsin a week earlier. As the ugly mood of the Middle West began to be understood in the East, Representative Kleberg of Texas introduced a joint resolution in Congress asking Governors to request the State courts to withhold foreclosure proceedings until relief legislation could be passed. A much more real measure of aid was extended by Eastern life insurance companies in an announcement on Jan. 30 that they would suspend foreclosure activities in Iowa until the Legislature of that State had enacted legal improvement of the position of debtors. By Feb. 1 the policy promised to become nation-wide.

With the index of farm prices at 52 per cent of the 1910-1914 level, with farm wages at the lowest point in thirty-four years, and with a record of forced sales which affected 9.5 per cent of the farms of the United States in the five years ended March 1, 1932, it is not strange that there has been an outcry from the Middle West. But in the midst of talk and proposals only one measure had passed Congress by Feb. 1—a bill carrying $90,000,000 in Federal credit for producing 1933 crops. As security the government will take a first lien on the crops.

The most exciting episode in the past month's history of Congress undoubtedly arose out of the Senate debate on the Glass banking bill, particularly the prolonged filibuster which prevented voting upon this plan for reforming the American banking system. Debate on the bill was opened on Jan. 5 by Senator Glass, who stressed particularly the need for branch banking if further extensive bank failures were to be prevented; later in the debate he cited the desire of the President-elect for the bill's passage as a reason for favorable action in the Senate. Opposition to the bill has been apparent from its inception and on Jan. 10 struck a snag when Senator Long of Louisiana organized a filibuster which, with the aid of Senator Thomas of Oklahoma, was continued until Jan. 19. During those days, despite the pleas of Senator Glass and threats of closure, the Senator from Louisiana refused to permit the Senate to vote upon a measure which he characterized as "imperialistic," largely because of its approval of branch banking. On Jan. 19 a proposal to apply closure was defeated, but it was agreed unanimously to limit debate on the bill; the filibuster thus came to an end but another week was to elapse before passage was finally accomplished by a vote of 54 to 9.

The Glass bill, as passed by the Senate, provided for necessary reforms, though they were not as far-reaching as its sponsor had hoped. Six general provisions are embodied in the bill: (1) Federal Reserve credit to be restricted so as to be kept out of speculative channels; (2) security affiliates to be divorced from national banks within five years' time; (3) branch banking by national banks to be regulated by laws of States in which banks operate; (4) a liquidating corporation to be established to wind up affairs of closed banks; (5) the Federal Reserve Board to be authorized to remove officials of member banks found to be engaged in unsound practices; (6) holding companies for bank stocks to be

licensed and voting power to be limited. While it is said that Mr. Roosevelt would like to see passage of the Glass bill by the House, it is not at all certain that in the closing weeks of the session anything can be done.

In the midst of the debate on the Glass bill, the subject of inflation—which has again come to fore—was aired in the Senate. Many members of Congress are known to favor some sort of currency inflation as a means of raising prices and reducing debts, especially in agricultural regions. Their proposals vary from reducing the gold content of the dollar to printing fiat money, which could be distributed through payment of the veterans' bonus. By the middle of the month the agitation for inflation was noisy enough to bring forth a vigorous discussion of its dangers by the Secretary of the Treasury and a stand by leading bankers against any depreciation of the currency. On Jan. 24 the issue of inflation was debated in the Senate as a result of amendments offered to the Glass banking bill, one of which would have revalorized silver at the ratio of sixteen to one; the other would have set the ratio at about fourteen to one, but would have required the Treasury to purchase enough silver to raise the price to this arbitrary standard—a boon to silver producers. Both amendments were overwhelmingly defeated.

The position of many honest inflationists was set forth by Senator Borah on Jan. 25, when he said that he advocated an "honest dollar" that would be fair to both debtor and creditor. While the issue of inflation is related to various proposals for restoring economic activity, fundamentally it concerns the historic battle between creditor and debtor which has been familiar in America for generations. That issue is at the heart of the present economic problem, and let no man believe that he has heard the last of it.

Another aspect of the problem was presented in a special message from President Hoover urging Congress to revise the bankruptcy laws, "a matter of the most vital importance." "It has a major bearing," he said, "upon the whole economic situation in the adjustment of the relation of debtors and creditors. I therefore recommend its immediate consideration as an emergency action." The message was received on Jan. 11; on Jan. 30 the House passed a bankruptcy reform bill which provided means of reducing the indebtedness and aiding the reorganization of the affairs of individuals, railroads and business corporations without the usual protracted delays.

Three years and a half of declining economic activity have made America acutely conscious of its debt burden. Possibly that helps to explain the tremendous interest in the analysis of the economic structure presented by technocracy in the few weeks of its full life. [See the article, "Technocracy Offers a Cure," in February CURRENT HISTORY.] In any case, the fall in private incomes, corporate profits and government revenues forced the consideration of measures for relieving individuals, nay, the entire nation, of the fabulous debt total which, according to the National Industrial Conference Board, approximates $200,000,000,000. Farm debts stand at $11,000,000,000 or $12,000,000,000; funded railroad obligations at $12,459,000,000; public debt at $15,742,000,000; corporate debt which reached $74,661,000,000 in 1929 has decreased greatly, as has private indebtedness, which in 1929 approximated $24,971,000,000. Small wonder, then, that Congress and State Legislatures have been obliged to seek ways of staving off wholesale bankruptcy and ruin!

One of the early governmental solutions was the setting up of the Reconstruction Finance Corporation. During the first eleven months of its existence it advanced $1,648,622,393 "to prevent the forced liquidation of assets of financial institutions, forestall

railroad receiverships and provide relief for the destitute"; $317,288,072 of this amount has been repaid. Whether the move was a good one or not is a question that is being debated now and is likely to be for many months; nevertheless, it undoubtedly prevented a greater panic in financial circles than occurred, whatever else may have been its effect.

Seemingly the R. F. C. has helped the banks to straighten out their sorry affairs; unfortunately, the same thing cannot be said for the railroads, which have sunk deeper and deeper into the economic morass. The President-elect has been studying the railroad situation in the hope of finding remedies which will assist them to become once more a healthy part of the economic structure. A definite program is certain to be set forth in the report of the National Transportation Committee, of which Mr. Coolidge was chairman.

The business situation as a whole has shown little change. *The New York Times* business index for the week ended Dec. 31 was 56.7; it advanced to 57.5 for the week ended Jan. 7, but by the week ended Jan. 28 it stood at 54.0. Some business leaders professed to be hopeful about the immediate future, but their statements had to be weighed in the same balance with mounting receiverships and bankruptcies. Certainly to the observer it was discouraging to read that department store sales in December were 23 per cent lower than in the same month of 1931; that foreign trade during 1932 was the lowest since 1905; that wholesale prices fell 9 per cent in the year; and that internal revenue for the last six months of 1932 was $137,660,448 less than in the same period the year before.

As throughout the economic depression, the number of unemployed is difficult to determine, but President-elect Roosevelt on Jan. 17 placed the number at approximately 12,000,000. The Department of Labor reported four days later that employment fell 0.4 per cent in December and payrolls 0.9 per cent. The American Federation of Labor is fighting for legal enactment of the 30-hour week, a movement which has the support of many economists. Conservative bodies now have come to favor some sort of unemployment insurance, a desirable step, but one which comes too late to be of much use to those unemployed who are dependent upon the dole or upon charity, or who have sought to work out their own salvation through barter exchanges or establishing a residence in a "Hooverville" and finding food in some garbage can.

Private sources of unemployment relief are breaking down; of that there is evidence on every hand; local and State aid is being strained to the danger point and loans from the R. F. C. to the States in many cases have approached legal limits. Work-sharing has not helped appreciably. For these reasons the La Follette-Costigan bill, providing $500,000,000 for direct-relief loans to the States has particular interest. This bill, which was reported to the Senate on Jan. 26, would aid not only the States but would establish a fund of $15,000,000 to rehabilitate the hobo army. Like so much proposed legislation, this unemployment relief bill has been discussed with the President-elect by its sponsors.

Meanwhile, as schools and colleges curtailed their activities because of insufficient funds, as libraries, museums and social services faced the new year without appropriations, and as stores continued to close their doors for lack of business, the American people went drearily about their work—if they had any. Their only hope still lay in the system of which they have been a part, but which has broken down. Without expecting too much they looked to the President-elect and his party to start the system functioning smoothly again.

Mr. Hoover on Philippine Independence

INDEPENDENCE for the Philippines was brought much nearer when, on Jan. 17, the Senate of the United States concurred with the House in overriding President Hoover's veto of the Hawes-Cutting bill. [For the provisions of the bill, see February CURRENT HISTORY, pages 594-595.] The position taken by the President, based in part upon extensive reports that had been submitted to him by the Secretaries of State, War, Commerce and Agriculture, resembled that of many Americans who do not believe that the Filipinos are yet capable of self-government. It did more than that, however; it reviewed the history of the islands under American rule, examined their present political and economic position in relation to the world at large and discussed the probable effect upon that position if independence were to be achieved under the provisions of the proposed act.

From the first it had been expected that President Hoover would oppose the independence bill. He declared that in holding the islands the United States had a threefold responsibility—"responsibility to the Philippine people, responsibility to the American people and responsibility to the world at large." Independence must not be given to the Filipinos in such a way as "to project them into economic and social chaos, with the probability of a breakdown in government, with its consequences in degeneration of a rising liberty which has been so carefully nurtured by the United States." The President said that separation from the islands must be accomplished "so as to avoid the very grave dangers of future controversies and seeds of war with other nations" and at the same time independence must not bring "more chaos into a world already sorely beset by instability."

In reviewing the provisions of the independence bill, the President expressed the opinion that the period of probation established was too short for easy adjustment; as a result Philippine social and economic life would be disrupted at a great cost in human suffering. Such conditions would involve the American Government in "years of military occupation among a degenerating economic and social life with all its governmental difficulties." Mr. Hoover did not hesitate to point out the selfish motives which had inspired the passage of the bill or to call attention to the economic fallacies inherent in the reasoning of those who had supported it because of the possible benefits to American agriculture.

In the light of the present situation in the Far East, it was probably natural for the veto message to discuss carefully and at length the international aspects of granting Philippine independence. Mr. Hoover declared that the infiltration or forcible entry into the islands of the surplus peoples of the neighboring Oriental countries promised to be dangerous to future stability. "Many of these races are more devoted to commercial activities than the population of the islands, and the infiltration is constant and fraught with friction. Nor has the spirit of imperialism and exploitation of peoples by other races departed from the earth." "The political dangers of the situation are greatly increased by the present political instability in the Orient." What would be the legal position of the United States if foreign attacks should be made upon Philippine independence the bill does not make clear; President Hoover insisted that a proper act of independence would define the commitments of the United States, whether or not it assumed re-

sponsibility to maintain and defend the independence of the Filipinos.

In conclusion the President added: "Neither our successors nor history will discharge us of responsibility for actions which diminish the liberty we seek to confer nor for dangers which we create for ourselves as a consequence of our acts. This legislation puts both our people and the Philippine people not on the road to liberty and safety, which we can desire, but on the path leading to new and enlarged dangers to liberty and freedom itself."

But neither the strong language of the message nor the publication of the reports submitted by the Cabinet members carried weight with Congress. The President's veto message was sent to Congress on Jan. 13 and within two hours of its reception had been overridden in the House by a vote of 274 to 94. Final action by the Senate was delayed until Jan. 17 because of the filibuster over the Glass banking bill; on that date, after Senators as far apart as Borah, La Follette and Bingham had spoken for the bill, the Senate voted by 66 to 26 not to sustain the veto. In Congress, however much selfish and altruistic motives may have been mixed, the general opinion seemed to be that, while the bill might not be wholly satisfactory, it was the best that could be enacted. Despite press attacks upon the method of setting the Philippines free, the American people remained unmoved by either the method of cutting loose from the islands or the fact that a colonial possession was being given up. The rôle of the islands in American foreign policy apparently received little attention in Congress and certainly not in the country at large, which has never been interested in the Philippines and retains the traditional hostility toward foreign entanglements, particularly in the Far East.

Unrest and Disorder in Cuba

By CHARLES W. HACKETT
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DURING January the unsettled conditions which have so long prevailed in Cuba seemed to foreshadow another crisis in the affairs of the republic. Anti-government sentiment was reported to be seething throughout the island as a result of the killing of two students early in the month.

The body of 17-year-old Juan Gonzalez Rubiera was found riddled with bullets in Havana three hours after he had been arrested on a charge of attempting to assassinate a secret service sergeant. The other student, Angel Alvarez Fernández, was found in a suburb of Havana fatally wounded shortly after his arrest on a charge of complicity in the assassination last September of Dr. Vásquez Bello, president of the Senate. This killing occurred only a few hours after United States Ambassador Guggenheim had unofficially interceded for Fernández and had secured from Secretary of State Ferrara the promise of a fair trial for the youth. The murder of the two students was followed by the issue by "A B C," a secret organization of students and others pledged to unrelenting and militant opposition to President Machado, of the following order to all of its members: "Shoot it out with the police if they attempt to arrest you, as you will probably be killed anyway."

The body of a third student, Mariano González Gutiérrez, was found on Jan. 15, several hours after he was reported to have been arrested and taken to secret service headquarters, charged with terroristic activity. A formal demand for an investigation and the punishment of policemen responsible for the death of Gutiérrez was presented to the Cuban State Department on Jan. 20 by the Spanish Embassy, which claimed that the murdered youth was a Spanish subject. The note from the Spanish Embassy placed the responsibility for the youth's death squarely on the Cuban Government and asserted that the Spanish Government reserved the right to demand an indemnity. In a second note on Jan. 21 the Spanish Government demanded that local Spanish newspapers be permitted to publish a communication from the Spanish Embassy denying assertions attributed to Secretary of State Ferrara in the official *Diario de la Marina,* that the first note of the Spanish Embassy had dealt only with the nationality of the boy.

Street disorders in four Cuban cities —Havana, Matanzas, Santa Clara and Santiago—marked the third anniversary, on Jan. 10, of the killing of Julio Antonio Mella, student leader and radical agitator. He and Rafael Irejo, another student, who was slain in September, 1930, have been adopted as unofficial "martyrs" by the radical youth of Cuba. Seven students were wounded, one probably fatally, during the demonstration. Three persons were injured and fifteen were arrested on Jan. 22 when Havana police broke up an anti-Machado parade.

The first censorship of English-language newspapers in Havana in the history of the Cuban Republic went into effect on Jan. 9. Censorship of Spanish-language newspapers by the Department of the Interior, which has existed for three years, was lifted on Jan. 3, only to be replaced immediately by a military censorship.

The censorship of English newspapers was directed chiefly against *The Havana American,* which has persisted in printing articles critical of the Machado Administration. Its editor, John T. Wilford, an American citizen, was deported from Cuba more than a year ago because of his criticism of the Machado régime, but later he was permitted to return. Protest against the alleged unconstitutionality of the censorship of his paper has been filed by Wilford with the United States Embassy.

The stringent military censorship of all Havana newspapers was reported on Jan. 10 to have reached a point where it was virtually impossible for them to print any local news. At the same time it was reported that all American dispatches which alluded to Cuban conditions were being eliminated from Cuban papers. The censorship regulations were still further stiffened on Jan. 11, when newsdealers and importers of foreign publications were required to present at the office of the Chief of the Cuban Army a copy of these publications for censorship before placing them on sale. Later, on the same day, a decree ordered the confiscation of all periodicals found to contain matter offensive to the government of President Machado. As a consequence, four of the largest news stands the next day refused to accept New York daily newspapers for sale. On Jan. 14 the authorities confiscated several hundred copies of various New York dailies that carried dispatches concerning the military censorship in Cuba.

The removal of the censorship over American publications circulating in Cuba was announced by Secretary of State Ferrara on Jan. 14. "We found it was all a mistake, an order badly interpreted," he stated. Although it was declared no longer necessary to submit to the censors a copy of each publication imported, newsdealers were warned not to sell any magazine containing criticism of the Machado Government. Later in the month the Jan. 16 issue of the American weekly

magazine *Time* and the Jan. 25 issue of *The New Republic* were confiscated by Cuban military censors.

The creation of a Cuban militia in accordance with a decree signed by President Machado on Feb. 1, 1932, was begun on Jan. 10. On that day a Presidential decree ordered the formation, for two years or for the "duration of the state of war" existent in Havana Province, of the first company of the militia, to be composed of 100 men in the Fifth Military District, which embraces Havana Province. The Opposition criticized the creation of the militia as being directly against President Machado's professions that he desired to conciliate his enemies and bring about peace. Meanwhile, violence and unrest in Cuba continued.

In protest against the "dictatorship" of President Machado, Representative Fish of New York introduced a resolution in the United States Congress on Jan. 12 which would authorize President Hoover to extend the good offices of the United States to bring about "mutual understanding and amity" between the Cuban political factions, and to "restore civil rights in Cuba."

CLAIMS AGAINST MEXICO

The Mexican Foreign Office on Jan. 10 announced the settlement of Spanish claims for damages arising out of the revolutionary disorders between 1910 and 1920. Mexico is to pay damages of approximately 2.19 per cent of the original Spanish claims, which amounted to 184,100,156 pesos. [At par the peso is worth 49.846 cents.] Only the claims of the United States on behalf of its nationals are still unsettled.

In accordance with the policy initiated by President Rodriguez against anti-government agitation, Federal troops early in January disarmed more than 5,000 irregulars in the State of Vera Cruz. In Mexico City nine Communist leaders were arrested. The first of these measures carried out a decree of Jan. 10, which ordered the disarming of all agrarian guards in Vera Cruz. These rural guards, of whom there were between 15,000 and 25,000, had originally been inducted into the Federal army to maintain order in the State. In practice, however, it was found that they were being used by disgruntled local leaders for the purpose of opposing government policies.

HONDURAN REBELLION ENDS

By the middle of January the government of Honduras had succeeded in suppressing the Liberal rebellion, which had lasted two and one-half months. The occupation on Dec. 30 of the important Pacific coast port of Amapala, which had been captured by rebels on Dec. 12, marked the climax of the rebellion. The same day rebel forces which had threatened to attack Tegucigalpa, the capital, began to retreat southward. A decree of Jan. 4 reopened the port of Amapala to international navigation and an official report of the same date stated that the rebels were in full retreat toward the Nicaraguan frontier. The leader of the rebellion, General José María Reyna, and eight other rebel Generals crossed into Nicaragua on Jan. 5 and surrendered to the Nicaraguan National Guard. Another important victory over rebel forces under General José Antonio Sánchez was announced by the Honduran Government on Jan. 14. Sánchez and his staff also fled into Nicaragua. After backing up its victory at the polls with victory on the field of battle, the Nationalist-Conservative party was at last in a position to take over the government on Feb. 1 for a four-year term.

CENTRAL AMERICAN TREATY

By a decree signed on Dec. 24, President Jiménez Oreamuno of Costa Rica carried out his announced intention to repudiate the general treaty of

peace and amity signed in 1923 by the five Central American republics. Similar action was taken on Dec. 28 by El Salvador, which had been unable, because of the treaty, to obtain recognition from its neighbors and the United States. The treaty continues to be binding on the other three signatories, but it can lapse entirely if denounced by a third State.

SANDINO MAKES PEACE

Owing to the activity of the Sandinista rebels the entire Republic of Nicaragua, with the exception of the four southwestern Provinces of Rivas, Granada, Masaya and Carazo, was placed under martial law on Jan. 22. Apparently, however, General Sandino had been negotiating with his old chief, Dr. Juan B. Sacasa, now President of Nicaragua. On Feb. 2 Sandino flew to Managua and after being closeted with President Sacasa indicated that he had made peace. The departure of the American marines made reconciliation possible, but it may not be easy, even with Sandino's full cooperation, to disband his guerrilla troops, who have lived by pillage for the last five years.

HONDURAN-GUATEMALAN BOUNDARY

A settlement of the century-old boundary dispute between Guatemala and Honduras was reached on Jan. 23, when Chief Justice Charles Evans Hughes, as chairman of the special boundary tribunal, handed down an award which divided the area under dispute essentially on the basis of actual occupation. The treaty of 1930, which created the arbitral tribunal, binds the disputants to accept the award.

South American Peace Hopes

By HENRY GRATTAN DOYLE
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AT the end of January powerful neutral disapproval seemed at last to promise the solution of South America's two boundary disputes. Thus the already overlong chapter of "wars and rumors of wars" in that continent may soon come to its close. The Chaco trouble between Bolivia and Paraguay has taken a tremendous toll of human life, even if one discounts official statements of "enemy" losses, while the Leticia quarrel, of which the relative inaccessibility of the scene of conflict has mercifully prevented an earlier clash, has apparently paused on the verge of the explosion for which the events may any day provide the spark. If the unparalleled neutral pressure of recent weeks fails to stop the war in the Chaco and prevent a war between Peru and Colombia over Leticia, the setback would do incalculable harm to the whole modern conception of adjustment of international disputes, in the development of which Latin-American jurists and statesmen have played an important part.

The break-down of the Washington negotiations over the Chaco under the auspices of the five neutral governments—Colombia, Cuba, Mexico, Uruguay and the United States—which resulted from the recall of the Paraguayan representative, Dr. Juan José Soler, late in December, served, if it did nothing else, to focus attention upon the situation thus created.

The notes of the neutral commission, dispatched—apparently as a last hope—to the nearest neighbors of the warring countries—Argentina, Brazil, Chile and Peru—urging their cooperation in bringing about peace between the two countries, at once moved the diplomatic centre of interest to a point so much nearer practical events that more fruitful results were likely if the nations concerned would heed the plea. Peru's help, in view of her own difficulties, could hardly have been expected, but the other countries seem to have risen to the occasion. Their comparative proximity to the theatre of war, their potential military and naval power and, last, the fact that they are South American States similar in cultural and political background to the countries at war, give Argentina, Brazil and Chile a decided advantage over other neutral efforts. Not the least of the advantages of their geographical situation is the ease with which they could shut off all foreign commerce to either Bolivia or Paraguay, thereby depriving the combatants of essential supplies, while in the last analysis their military strength would make armed intervention an effective possibility. With varying emphasis, and in somewhat different terms, the same thing may be said of the advantages of the ABC powers in a settlement of the Leticia affair, where Brazil holds a special strategic position.

With relative stability restored in the ABC countries, the call of the Washington neutral commission came at a propitious time. Argentina, whose isolationist policy under former President Irigoyen has been completely reversed under the Justo administration, had proposed an anti-war pact limited to the South American nations, while a personal conference between President Vargas and President Justo, ostensibly to discuss commercial relations, was under consideration. Brazil, because of her territorial interests on the Upper Amazon, was concerned over the prospect of violation of her neutrality in case hostilities broke out between Peru and Columbia, while the passage of a Colombian flotilla up the Amazon toward Leticia gave her an added responsibility. Chile was reported in mid-January to have made definite proposals for a truce to Paraguay and Bolivia. While reports of diplomatic activity in the three capitals were continuing, the Argentine Minister of Foreign Affairs, Dr. Saavedra Lamas, and the Chilean Foreign Minister, Dr. Miguel Cruchaga Tocornal, met on Feb. 1 at Mendoza, on the Argentine slope of the Andes, where it was reported that they would negotiate not only a commercial treaty which, among other things, would assure continued operation of the Transandine Railway, but an agreement for joint action to end the Chaco embroglio.

In the meantime the United States has not ceased its activities, seconded by the League of Nations, with respect to both border disputes. Secretary Stimson has particularly concerned himself with efforts to prevent armed conflict over Leticia. When Colombia on Jan. 3 rejected the possibility of recourse to the Permanent Commission on Inter-American Conciliation, on the ground that the controversy involved Colombia's right to maintain order within her own territories, that avenue of approach was apparently closed. Brazilian efforts at mediation likewise appeared at first glance to have little chance of success because of popular insistence in Colombia upon the same point of view. On Jan. 23, however, international agencies were invoked by the two countries. Peru called the attention of the League of Nations to the progress of the Colombian flotilla up the Amazon, while Colombia, in a note to the United States and other signatories to the Briand-Kellogg pact, requested them to call Peru's attention to its obligation, as a co-signatory, to renounce

war as an instrument of national policy. Colombia also cited notes exchanged with Peru to make clear its position, particularly a telegram from General Victor Ramos of Peru to General Alfredo Vásquez Cobo of Colombia on Jan. 6, in which the Peruvian commander declared that he intended to "take military measures" to prevent Colombian troops from entering Leticia.

Secretary Stimson promptly called a conference in Washington of the diplomatic representatives of the signatories to the pact, and on Jan. 25 sent a note to Peru in which he reminded her not only of her adherence to the non-aggression agreement signed at the conference of American States in 1928, but also of the fact that only last August she had signed a declaration by the American States denouncing resort to arms and declaring that territorial gains made by force would not be recognized by the governments of the Western Hemisphere. This declaration, called forth by the Chaco dispute, emphasized Peru's rather delicate diplomatic position. The Secretary's note firmly supported the Brazilian proposals for ending a situation, which involve the transfer of Leticia to the Brazilian Government for provisional administration, followed by restoration of the deposed Colombian officials and negotiations for consideration of the Salomón-Lozano treaty—by which Peru ceded Leticia to Colombia—"for the purpose of finding a formula susceptible of reciprocal acceptation, and which shall include economic, commercial and cultural measures which may constitute a closer moral bond in the form of a territorial statute adequate for such purpose and peculiar to that region." Colombia, according to the note, had already accepted the Brazilian proposals.

On Jan. 26 the Council of the League of Nations called the attention of Peru to her duty as a member of the League, "not to hinder Colombian authorities from the exercise of full sovereignty and jurisdiction in the territory recognized by treaty to belong to Colombia." The League also asked Colombia to "limit its action strictly to preservation of order in its own territory" and to take precautions to avoid violation of Peruvian territory. The Peruvian reply on Jan. 28 professed loyalty to the Briand-Kellogg pact and other international non-aggression agreements, but refused to desist from the protection of her citizens who on Sept. 1, 1932, seized Leticia. The note accused Colombia of an aggressive attitude, referring in support of this claim to Colombian loans and purchases of war materials. In a telegram to the League of Nations on the same day the Peruvian Foreign Minister declared that Peru intended to "uphold the established rights of minorities and defend our nationals."

Strong support of the position taken by the Department of State and the League of Nations was quickly forthcoming from the other American States. On Jan. 31, however, President Luis M. Sánchez Cerro of Peru in a published statement declared that "the best way for Colombia and Peru to reach an agreement in the controversy over Leticia is by direct negotiation." The Salomón-Lozano treaty, according to the Peruvian President, was "imposed upon Peru in a very unhappy hour, against national public opinion." He also claimed that "the provisions of the Salomón-Lozano treaty not only were not carried out by Colombia, but created an acute problem of irredentism within the limits of the zone unduly ceded to Colombia by Peru." This statement, of course, all but repudiated the treaty.

Reports of military operations in the Leticia zone relate principally to Peruvian and Colombian troop concentration and the progress of the Colombian flotilla up the Amazon. On Jan. 9 the squadron arrived at

Manáos, 1,000 miles up the river from Pará, and about 1,300 miles below Leticia; here the ships remained until Jan. 23, when they sailed for Teffé, about 700 miles further up the river. The delay at Manáos apparently followed receipt of orders holding the fleet there pending the outcome of Brazilian efforts to compose the situation. Undoubtedly it was the departure of the fleet that brought about neutral intervention.

FIGHTING IN THE CHACO

After a week's cessation of hostilities because of heavy rains, the Bolivians on Jan. 8 resumed the offensive in the Chaco, when they captured two Paraguayan forts, the old Fort Mariscal Carlos Antonio López and the new Fort López, the latter being one of the chief outposts of Nanawa (Fort Presidente Ayala), the Paraguayan southern headquarters. Capture of Fort López brought the Bolivians to their furthest eastward point since the offensive began, their lines being only about 150 miles from Concepción and about 175 from Asunción. Paraguayan efforts during the following week to recapture Fort Corrales, in the north, met with failure. On Jan. 15 and 16 the Bolivians renewed their attack on Fort Presidente Ayala (Nanawa) but were repulsed. On Jan. 20 they attacked again in one of the heaviest offensives since the unofficial war began. After nine days of sanguinary fighting, in which General Hans Kundt sent wave after wave of Bolivian troops against the Paraguayans, the latter still remained in possession of the fort. Dispatches from Buenos Aires estimated the casualties on the two sides at more than 6,500 killed and wounded. Bolivian artillery fire was reported as causing many casualties among the defenders. Almost simultaneously with this attack, the Bolivians launched attacks against Forts Boquerón and Arce, in the central sector, so that on Jan. 23 practically the entire 95-mile front in the Chaco was engaged. While Nanawa still held out, it was reported as suffering severely from Bolivian artillery fire, which practically encircled the fort.

Heavy rains put an end to major operations on Jan. 28, the flooded swamps making it impossible to transport troops and artillery in the southern sector. Observers reported that even though the Bolivians may capture Nanawa, they will find it impossible to make any further advances in the south until the roads dry up, which may not be until April. During the next two months, according to these observers, the only possibility of important advances is in the north, in the direction of Fort Boquerón. It was reported that General Kundt returned to La Paz on Jan. 28, an indication perhaps that no immediate Bolivian offensive was under consideration.

As the month closed it appeared that despite heavy losses of men the Bolivians had not been able to maintain the pace of their December offensive. While the Paraguayans have suffered heavily, they are still holding the key points of their defense. The rainy season, which they looked to as an ally in October, and whose disadvantages the Bolivians had previously overcome, seemed at last to have prevented the Bolivians from moving forward.

Rumors that oil was at the bottom of the Chaco conflict resulted in a statement on Jan. 25 by the Standard Oil Company of New Jersey denying that it was aiding Bolivia financially or materially in the war. According to the company's statement, Bolivia had confiscated or commandeered motor and animal transport equipment belonging to the company, for which the company had entered claim for reimbursement. Rumors that the company was interested in a pipe-line to the Paraguay River were also flatly denied. "There is no such pipe-line and none is in contemplation," the company declared.

De Valera Victorious

By J. BARTLETT BREBNER
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OWING to the slowness of calculating final returns under the transferable vote system of the Irish Free State, the complete results of the election of Jan. 24 were only tentatively available a week later. Mr. de Valera's party, Fianna Fail, secured a clear majority of one over the other four parties combined. Under a non-transferable system, his party could almost have filled the Dail Eireann. During the election, his chief opponent, William T. Cosgrave, leader of the Cumann na nGaedheal, moved a considerable distance toward Mr. de Valera's position in regard to the oath of allegience and the payment of annuities to Great Britain. Labor was careful not to preclude its cooperation with Fianna Fail so that de Valera's slender majority can be increased by Labor's eight members. The two new Centre groups, farmers and business men, were more outright in their opposition. De Valera's relatively uncompromising appeal won the voters, and seemingly would have done so even if his opponents had had the time to sink their differences in some kind of a coalition.

Although the establishment of a republic was not an issue, the election was largely interpreted to be on the question of Ireland versus England. "The British Government," Mr. de Valera said, "wants Cosgrave to win this election." Mr. de Valera's opponents needed police protection. Fianna Fail did not. Cosgrave would negotiate with the British Government. De Valera would not. He asked support to secure the realities of equality with the United Kingdom by paying the price in shaking off economic dependence. His dream of an Irish Free State, like France, economically self-sufficient, was continually to the fore. "If we cannot have silk shirts, let us have Irish homespuns." He promised to halve the farmers' payments of annuities and to let Great Britain wait for the money until she recognized Ireland's case. Mr. Cosgrave believed that membership in the British Commonwealth and a share in the benefits of the Ottawa agreements were essential to Irish prosperity. He was sure the annuities question could be negotiated on a basis of capacity to pay.

As a result of the election, the bill to abolish the oath of allegiance, which the Senate held up, will automatically become law. "The present Senate will certainly disappear," President de Valera announced on Jan. 28, but he indicated that a body half the size, representing vital economic interests, might take its place. He said he would continue his efforts to abolish the office of Governor General. His new slogan for the country was "Hard Work for All." In spite of great pressure from the Irish Republican Army, he was prepared to wait on events so far as the incorporation of Ulster was concerned. With the election behind him, the long-postponed budget was the immediate problem. A huge governmental deficit, declining trade and increasing trade deficits, unemployment and labor unrest were the unhappy heritages of his electoral success. On the other hand, he has been strengthened in his conflict with Great Britain, whose government can no longer believe that he has not a popular mandate for his policies.

BRITISH ECONOMIC CONDITIONS

The British Parliament was not in session during January, and the few Cabinet meetings which were held were devoted to the question of war debts. There was much public discussion of what Great Britain could pay to the United States without bleeding herself white. As Reginald McKenna pointed out early in January, the government had, in the exchange equalization fund, invented a most ingenious instrument for paying the debt in gold bought with low-interest-bearing Treasury bills. It has since taken advantage of the usual seasonal rise in sterling to buy dollars and francs and thereby both keep sterling down and acquire gold balances to recoup itself. Yet mere ingenuity was not enough.

Did Great Britain go downhill during 1932? In February, 1932, the Board of Trade estimated that the United Kingdom had, during 1931, spent £110,000,000 of its accumulated capital. A preliminary estimate for 1932 has put the figure at £80,000,000. Since the Lausanne agreement, British payments to the United States—at the rate of $200,000,000 a year—have not been balanced by any receipts from her foreign debtors. The recorders of 1932 were unanimously agreed that British economic conditions had not improved sufficiently for payments to go on except by steady depletion of the national capital. They were reinforced by the economists, who connected the debt payments with the decline in commodity prices and the increasing rate of decline in international trade.

In general, it was felt that British economic conditions were no better and probably a little worse at the beginning of 1933 than a year before. Unemployment was a good index; in spite of a Christmas improvement which brought the total down to 2,723,287 on Dec. 19, that was 213,366 more than in 1931. A comparison with 1923 showed that there had been a very slight increase in the number of employed, but that it was completely eclipsed by an increase of 15 per cent in the number of employable insured workers. Far more serious was the report of the Poor Law administration, which showed that the proportion per 10,000 of the population of those (uninsured) in receipt of Poor Law aid had risen from 244 in September, 1931, to 321 at the end of 1932.

The picture of industry and trade was more encouraging. British exports increased slightly but steadily in October, November and December, 1932, and in spite of a drastic reduction in imports, even re-exports improved. During December, as compared with 1931, exports were £36,570,000 (£37,614,000), imports £60,630,000 (£77,027,000) and the trade deficit £24,060,000 (£39,413,000). British shipping and shipbuilding improved with some suddenness in the past month. The steel industry, sheltered by high tariffs, improved in 1932 over 1931 and at the end of the year increased its exports. The Midland textile producers reported a small but definite increase in exports to the Dominions and India, following the Ottawa agreements. The pound sterling rose to $3.39⅝ on Jan. 31. The cost of living remained about the same, as wholesale prices fluctuated, with a slight tendency downward.

The British have continued to claim that reparations and the war debts are intrinsically a bad thing for both creditors and debtors and have tried to insist that they should be abolished or drastically modified without reference to other problems. This refusal to consider bargaining has recently had to yield to realities, and a return to the gold standard and alteration of the Ottawa agreements have emerged as the chief desiderata of the United States. The British reply, whether from the Chancellor of the Exchequer or from champions of inflation, has been uniformly to the effect that Great Britain cannot tell for a long time at what point the pound should be valued in gold and certainly

not before reparations and war debts are permanently settled.

As for the Ottawa agreements, on Jan. 30 the British Board of Trade announced that from April 1, 1933, Dominion products must have a 50, instead of a 25, per cent empire content to enjoy imperial preference. This move will chiefly affect about 1,000 American factories in Canada, many of which used to do little more than assemble parts manufactured in the United States, obtaining an almost complete customs drawback when they exported the finished product. The question of empire content was left to separate discretion at Ottawa. During the negotiations there a few manufacturers who really manufacture in Canada expressed indifference, but the majority announced that they would close their Canadian plants and emigrate to Great Britain if the Canadian demand on the United Kingdom for a 50 per cent empire content were granted. Authoritative reports at the end of January, however, indicated that most of these manufacturers had employed the interval since the Ottawa Conference to alter their materials and processes to satisfy the 50 per cent regulation.

In spite of denials, Great Britain was deliberately strengthening the weapons with which she must bargain. In addition, the shipping group revived their agitation against what they called the "dumping of services" by the United States in the form of generous subsidies to domestic shipbuilding and shipping and of exclusion of foreign ships from coastal navigation. They referred bitterly to the inclusion of the Hawaiian islands in American coastal traffic and asked that the Australia-New Zealand run be declared coastal by Great Britain in reprisal.

No new trade agreement has yet been concluded by the United Kingdom with countries outside the Ottawa agreements. The British Liberals and some other groups have renewed their attacks on the Ottawa settlement and have openly welcomed the possibility that Anglo-American debt negotiations may alter them.

CANADIAN AFFAIRS

There has been a distinct lull in Canadian affairs since the beginning of the year. Parliament was not in session, and the annual conference of provincial Premiers with the Dominion Government apparently got nowhere in coordinating unemployment policies because, although the Dominion Government has recently been providing most of the money, administration of the services is constitutionally a provincial matter. The socialistic movement in Alberta, known as the Cooperative Commonwealth Federation, startled the East a little by the enthusiasm shown for it at some public meetings and by securing the affiliation of the United Farmers of Ontario, an organization which governed Ontario shortly after the war. The Conservatives thundered abuse and the Liberals set to work to capitalize for their party some of the opposition to Prime Minister Bennett which was demonstrated by the success of the Western radicals. The targets at which they chiefly aimed were the Ottawa agreements and trade restrictions generally.

Wheat prices remained about 15 cents a bushel lower than last year in spite of a continued decline in the Canadian dollar, which stood at 84 cents in New York on Jan. 31. The export of $7,500,000 in gold in December and of $5,000,000 in January, and the continuance of a trade surplus, failed to check the decline. It was largely attributable to the diversion of Canadian trade from the United States to Great Britain which has been greatly accelerated by the Ottawa agreements.

Mr. Bennett set his face against all talk of inflation or of failure to meet contractual obligations. He put the figure of all Canadian capital and in-

terest contracts for 1933 in the United States at $266,124,124 and declared that Canada would pay. If the Canadian dollar continued to decline, however, it seemed that Canada would have to buy gold, probably in London, for shipment to New York. In fact, the financial situation was very difficult. The national deficit for the nine months ended Dec. 31 was $28,000,000, not inclusive of the increasing burden of the bankrupt national railways. The Canadian Pacific Railway was also in difficulties, and Montreal financiers urged that it absorb the national lines and ruthlessly eliminate competition. Opposition to monopoly and belief in public ownership were strong enough, however, to produce the suggestion that a third, government-supervised organization take over the operation of both systems.

Soviet Russia, which has already arranged for the barter of Canadian aluminum for Russian oil, but which roused the Canadian lumber interests by securing most of the soft-wood market in England, seriously embarrassed Mr. Bennett while he was in England protesting against the Anglo-Russian lumber deal. Russia wishes to acquire Canadian dairy cattle to make good the slaughter which followed the enforced collectivization of 1930. Argentinian cattle have not withstood Russian climatic conditions. Canadian farmers would like to sell cattle and hides. R. S. Weir, the Dominion Minister of Agriculture, let it be known that he was considering the barter of these products for oil and coal. Mr. Bennett, after his return from England, announced that the credit arrangements were impracticable.

The British Government has taken three steps calculated to please Canada. It has raised the amount of empire content for imperial preference from 25 to 50 per cent. It has completely abandoned the embargo on Canadian live cattle as promised in 1917 and partially fulfilled in 1923. It has not denied the 6 cents a bushel preference to a cargo of Canadian wheat which went from New York on the Britannic in mid-January, following a change in the method of invoicing. These steps, however, were attributed in part to Great Britain's desire to be in a stronger position in the forthcoming negotiations with the United States.

Canada's trading position weakened in December, although 1932 as a whole raised her again to fifth among the exporting nations of the world and she once more exceeded her 1931 monthly record in exports to Great Britain. The totals for December, with the 1931 figures for comparison, were: Exports $42,616,000 ($53,255,000), imports $28,961,000 ($40,290,000), and surplus $13,655,000 ($12,965,000). The substitution of Anglo-Canadian for American-Canadian trade continued to be marked.

AUSTRALIA AND NEW ZEALAND

The turn of the year in Australia was marked by several indications of returning economic health. The federal government ended the year with a surplus of £3,200,000, after the rigors of the Premiers' plan to meet foreign obligations and reconstruct domestic finance. It had made large subventions to the wheat farmers and expected to use its surplus in remission of taxes to the wheat-growers and sheep-farmers. Unemployment was slowly declining. Although imports were increasing, they swelled the customs revenues, and in spite of them Australian sterling balances in London were increasing even before the wheat crop began to move.

In recent months the New Zealand Government and the banks have arbitrarily held the New Zealand pound at a 9 or 10 per cent discount from sterling, while the Australian pound was nearer 25 per cent. On Jan. 19, in spite of the protests of the banks, the government raised the discount to 25 per cent. W. D. Stewart, Finance Minister and delegate to the Ottawa con-

ference, resigned in protest. Prime Minister Forbes said that the inflation was designed to alleviate the serious predicament of the farmers, and that the banks would be indemnified for losses in sale of exchange. Domestic prices, transportation rates and stock prices at once rose about 15 per cent, the amount of alteration in the discount rate.

SOUTH AFRICAN POLITICS

Since the spectacular return of Tielman Roos to South African politics and the end of the gold standard, the situation has been very confused. Negotiations for a coalition to oust General Hertzog went on throughout the month, culminating in a Parliamentary debate during which, on Jan. 30, one of Mr. Roos's Nationalist followers crossed the floor to join the Opposition. Parliament had been in session since Jan. 20 without dislodging Hertzog. The great obstacle to the alliance between the South African party, led by General Smuts, and the followers of Roos which could effect the change was the demand that Roos or some one else be made Prime Minister instead of Smuts. Mr. Roos showed impatience and General Smuts was stubborn. The former's public meetings in the Orange Free State were systematically disorganized by the Nationalists, so that his campaign has split the Afrikanders. The South African party was loyal enough to Smuts to give him complete discretion in the negotiations. Mr. Roos entertained some hopes of founding an entirely new party. In view of the animosity betwen Hertzog and Smuts that had much to commend it. For the moment Roos could only hope to modify Nationalist policies from within that party, but he and his followers were being warmly denounced there.

The passing of the gold standard has meant a rise in the domestic prices of commodities and a wild boom in the shares of the gold mines which are now in a position to work up low-grade ores. They will also receive a premium as do the Canadian mines. The South African pound very quickly fell from gold parity ($4.8665) to a point very little above the British, which it has since followed closely. This apparent anomaly reflected the destination of South African exports rather than South African economic conditions.

A CONSTITUTION FOR INDIA

The delegates from the London conference and other political elements in India during January discussed the final constitutional proposals. No outward event indicated any general Indian opinion, but it was for the most part agreed that the conference had rendered a great service in providing a complete, concrete constitution to be discussed, and that all other kinds of political activity had been dropped in the meantime. There was less than the expected criticism when the amnesty for political prisoners was not granted and when the civil disobedience ordinances were maintained.

Sir Tej Bahadur Sapru and Mr. Jayakar before leaving London put forward a memorandum in which they urged that speed was the greatest necessity and that the new federal government with responsibility at the centre be set up at least by 1935. They thought the preliminary financial safeguards were unnecessary, particularly the establishment of a central reserve bank. They also touched upon the chief cause of recent Indian uneasiness when they suggested that the Princes be asked to signify their intentions as to entrance into the federation by February or March, 1933. They felt that the federation could work without insisting that at least half the Indian States should join at the start.

Untouchability has produced serious division of opinion in India, but the Viceroy on Jan. 23 sanctioned the introduction in the Indian Legislature of a bill to abolish its discriminations. At the same time he disapproved two

similar bills for the Madras Presidency alone. Naturally, the Indian Government did not assume responsibility for the legislation, but left it for the open vote of the Legislature.

A rising in the State of Alwar, near Delhi, involved some 80,000 peasants at the beginning of the year, but order was restored by British troops. As in the case of Kashmir last year, Moslem villagers rebelled against the government of a Hindu Prince.

THE GOLD OF KENYA

The colony of Kenya has had since its beginnings a somewhat unsavory reputation for its discrimination against African natives and Indian immigrants in favor of the white settlers. Last year gold was discovered near Lake Victoria and the boundary of Uganda, but within the 30,000,000 acres set aside perpetually for native reserves. The decision of the Kenya Legislature on Dec. 21 to allow the Crown (in which title to mineral resources rests) to grant mining claims in the reserves in return for cash compensation paid to a general natives' fund instead of setting aside equivalent new reserves provoked widespread protest in England. The British Government on Jan. 18, however, approved the policy on the ground of the Crown's openly reserved rights and that "the discovery of gold is of the greatest importance to Kenya as a whole." Sir Albert Kitson, a noted geologist, last year expressed the opinion that the region would quickly become a useful goldfield. The Chief Native Commissioner said that he acted regretfully in that no amount of compensation would induce the natives to lease the lands voluntarily. "I am afraid," he added, "we shall have to hurt their feelings, wound their susceptibilities and in some cases violate their most cherished and sacred traditions."

The French Budget Crisis

[It is with great regret that we have to record the death on Jan. 16 of Professor Othon G. Guerlac of Cornell University, who had from October, 1927, contributed the monthly article on France and Belgium to "The Month's World History" section of this magazine. Born of Alsatian parents in St. Louis, Mo., on Oct. 4, 1870, he was educated in France. Returning to America he became Assistant Professor of French at Cornell in 1904 and Professor in 1919. At the outbreak of the World War he was summoned to France for military duty, but after taking his place in a territorial regiment was transferred to the French Foreign Office, where he was attached to the press bureau. From November, 1917, to August, 1919, he was a member of the French High Commission to the United States. A frequent contributor to both French and American publications, he was correspondent of *Le Temps* of Paris for ten years, besides editing various text-books and translating into French Booker T. Washington's *Up From Slavery*. In Professor Guerlac CURRENT HISTORY has lost a valuable contributor and highly appreciated friend; but even greater is the loss to the cause of better understanding between America and France which he served so devotedly throughout his career.]

THE French Cabinet under M. Paul-Boncour, which took office on Dec. 18, ended a brief and stormy career on Jan. 28 when by a vote of 390 to 193 it was defeated on the issue of its budget proposals. Three days later Edouard Deladier, Minister of War in the fallen Cabinet, succeeded in forming a new government; observers did not concede it a long life.

From the moment Joseph Paul-Boncour formed his Cabinet he faced the paramount problem of balancing the French budget. The size of the present deficit was estimated by Henri Chéron, the Finance Minister, to be

more than $400,000,000—a figure which was disputed by his opponents, although the existence of a large deficit could not be denied. If the budget were to be balanced, heroic measures were required. Aided by a group of technical experts under the chairmanship of Pierre Fournier, assistant governor of the Bank of France, M. Chéron prepared his budget, which was finally submitted to the Chamber on Jan. 17. During the preceding weeks reports had leaked out as to the probable recommendations of the Finance Minister, with the result that, even before the specific proposals were known, civil-service employes declared that they would oppose any reductions in salaries, while taxpayers threatened a strike if taxes should be raised. M. Chéron, however, apparently was not moved by these outcries and persuaded his colleagues, though with difficulty, to adopt his proposals.

From the first M. Chéron seemed determined to balance the budget, however severe might be the sacrifices involved. On Jan. 2 he announced that no new civil employes would be appointed during 1933—a step which foreshadowed his formal budget recommendations. In the end he advised a reduction of expenditures by more than $200,000,000 and the raising of a like sum by additional taxes in order to wipe out the Treasury deficit. Those specifically affected by salary cuts were civil employes and pensioners; over $100,000,000 was expected to be saved in this way. Among the savings was $26,000,000, to be obtained by reducing military expenditures. Increased income taxes, a new automobile and gasoline tax, new duties on sugar, a tax on coffee and import licenses on quota goods were part of M. Chéron's plan.

The submission of the budget to the Chamber of Deputies brought out into the open the struggle between those groups who wished to wipe out the deficit by economies and new taxation and those who advocated the floating of internal loans which would bring out some of the large sums now hoarded by French citizens. The Finance Minister's plan, before being considered directly by the Chamber, was before the Finance Committee, which also took under consideration counter-proposals of the Socialists. When M. Chéron's proposals emerged from the Finance Committee they were shorn of two-thirds of the economies and taxes which he had recommended. Among the many changes was the omission of the contemplated salary cuts for civil employes and of the revised pension schedule; inheritance and income taxes were raised further than in the original plan; while the government's defense estimates were reduced. In the light of the recent scandal over tax evasions in France, it is not surprising that the Finance Committee approved a proposal to list all bonds and securities and to post in every commune lists of income-tax payers.

In the debate which followed the report by the Finance Committee and the presentation of the government's budget, the Socialists supported the Radical-Socialist Ministry until the item demanding a 5 per cent reduction in the salaries of civil service employes was reached. As the Right had been in opposition from the beginning, the withdrawal of Socialist support at this point brought down the government.

Before the Ministry fell there had been demonstrations by brokers and clerks against the proposal to ban negotiable securities. This protest, which amounted to a strike, brought business on the Bourse to a standstill. At the same time 5,000 delegates of the Farmers party met at the Salle Wagram to protest the fall in the price of wheat; later they attempted to march to the Chamber but heavy police details turned them away. On the day the Paul-Boncour Ministry fell, 10,000 members of the National Federation of Taxpayers assembled in a Paris amusement park,

rhere they adopted resolutions calling or governmental economies, lower axes and a national lottery. When everal thousand of them started for he Chamber they were broken up in general mêlée by the police and the Republican Guards.

The new Cabinet of Edouard Delaier differed but slightly from that of 'aul-Boncour, who continued as Forign Minister in the new government. I. Georges Bonnet, who was Minister f Public Works in the old Cabinet, reeived the Finance portfolio; Paul 'ainlevé, because of poor health, delined to continue as Air Minister; his lace was taken by Pierre Cot, a man f rather advanced ideas, who had een Under-Secretary of Foreign Afairs. As the new Cabinet was exclusively Radical Socialist in composiion, its policies were certain to be ttle different from those of its predeessor. For that reason it could expect hort shrift in the Chamber.

Behind the political and budgetary risis is the general French economic ituation. France, even now, has not xperienced the severe effects of the vorld-wide depression, in part because he nation is traditionally one which as great financial reserves to fall ack upon. The official index of inustrial production is almost as high s a year ago, the last available figure -for November, 1932—stood at 97, ompared with 104 for November, 931. Foreign trade fell off 31.8 per ent during 1932, and the usual unfaorable balance of trade has continued. At the end of 1932 and in the early veeks of the new year the gold holdngs of the Bank of France fell somewhat, but the export of gold was too mall to cause alarm. Imports during he first quarter of 1933 will be lower han during the last three months of he old year, as the quota restrictions n many cases have been revised downvard.

In an attempt to aid the French armer whose position has been weakned by the low price of wheat, the Chamber on Dec. 28 approved a bill providing credits for financing the wheat crop of 1932. A sum not greater than $12,000,000 is to be placed at the disposal of the Ministry of Agriculture to be used in making advances to farmers and for buying a stock of grain. A further sum of $800,000 may be used for cash purchases and $2,000,000 is to be available for premiums to farmers. Advances to farmers are to carry interest at 2 per cent.

THE GUILBEAUX TRIAL

France has once again witnessed one of those mysterious court trials which every so often help to make French life exciting. On Jan. 24 Henri Guilbeaux, who had been condemned to death *in absentia* but who returned to France last Summer, went voluntarily on trial before a military tribunal. A conscientious objector and suspected of being a German spy, Guilbeaux fled to Switzerland in 1915, where he founded a newspaper, which, despite its allegedly anti-French views, circulated widely among soldiers. Because of Guilbeaux's friendship with Lenin, Trotsky and Lunarcharsky, it was suspected, especially after the Russian Revolution, that Soviet money was supporting his paper, *Demain*. After the war Guilbeaux went to Moscow to live, and on Feb. 21, 1919, a French tribunal passed a sentence of death upon him for conspiracy with the enemy. The trial suddenly came to an end on Jan. 27, after it had been disclosed that the alleged German agent with whom the accused had supposedly trafficked had really been friendly to France. With this revelation the prosecution withdrew its charges of treason, leaving the French public mystified as to what was the meaning of the episode and whether there was not more behind the case than was disclosed.

BELGIAN FINANCIAL TROUBLES

The Belgian Parliament, when its Winter session began on Jan. 18,

faced a financial crisis which has grown steadily more acute during the past seven or eight months. In June, 1932, the government floated an internal loan of about $30,000,000, but as the monthly deficit approximated $9,000,000 the proceeds of this issue were quickly eaten up, as was a similar amount obtained through a French loan. Constant borrowing from Belgian and foreign bankers, usually at very high interest rates, alone has kept the Treasury from breaking down.

The de Broqueville Cabinet's method of balancing the budget includes higher taxes and reduction of unemployment benefits. Both proposals have brought forth violent protests. On Jan. 12 the Socialist Union called a 24-hour strike at La Louvière in the Province of Hainault and street demonstrations were organized. Socialist groups in Brussels likewise demonstrated on that day. In a protest against reduction of unemployment benefits and new taxes, 20,000 women, Socialists and Communists, paraded the streets of Brussels on Jan. 17. Banners carried in processions were inscribed: "Unemployment fund decreased, but war budget increased. Everything is done for the army and nothing for the poor." Similar parades had been held on Jan. 15 in Liége, Ypres, Bruges and Ostend.

Meanwhile, by virtue of special powers delegated by Parliament, the Cabinet issued decrees for the imposition of about $18,000,000 in direct taxes and about $9,000,000 in indirect taxes. The new imposts will affect most incomes and at the same time will raise taxes on motor vehicles, gasoline, documents and so forth. Duties on cocoa, tea, matches and coffee, unless imported from the Congo, have been increased.

Hitler—Chancellor of Germany

By SIDNEY B. FAY
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WITH the resignation of General Kurt von Schleicher as Chancellor on Jan. 28 and the appointment two days later of Adolf Hitler as his successor at the head of a Cabinet made up of the most conservative and big capitalist elements of any previous government, Germany entered upon a new phase of the conflict between the two extreme forces of reaction and revolution. "There can be no middle course here," the new Chancellor declared to the foreign press correspondents on Feb. 2. "Either the red flag of bolshevism will be hoisted soon or Germany will find herself again."

But before we consider Hitler's attainment of his ambition to become Chancellor there is the question of why von Schleicher should have resigned after holding office only fifty-seven days—a shorter administration than any previous Chancellor's, with the exception of the thirty days that Prince Max von Baden was head of the last imperial Cabinet in 1918. The various reasons for von Schleicher's fall, after his being heralded as such a shrewd politician, do not seem to be clear in the light of subsequent events. For instance, it was announced that he refused to continue in office because President von Hindenburg refused him authority to dissolve the Reichstag in the probable event that it might deny his Cabinet its confidence at its meeting scheduled for

early in February, though on Feb. 1, soon after Hitler became Chancellor, the President did dissolve the Reichstag.

President von Hindenburg, who consented reluctantly for more than a year, with Bruening and von Papen, to make use of his emergency powers under the Constitution and to govern without Parliament, had now, it was said, become opposed to von Schleicher's demand for another dissolution of the Reichstag in the existing political situation. The President, desiring to return to the regular parliamentary system of government, believed that further attempts should be undertaken to ascertain the prospects of forming a Cabinet which might secure the support of a possible majority coalition in the Reichstag. Von Hindenburg has always insisted that the wishes of the majority of the German people should prevail. It was on these grounds that he urged abdication upon the Kaiser in 1918 and has twice allowed himself to be elected President.

Further reasons for von Schleicher's resignation and divergence from von Hindenburg have been attributed to the Chancellor's desire to proceed along the path of breaking up the large landed estates in East Prussia to provide land and work for the unemployed. This was one of the points in Bruening's policy, and it was President von Hindenburg's unwillingness to sanction it which was the immediate cause of Bruening's fall. Such a policy is naturally opposed bitterly by the large conservative landowners —the Junkers—with whom President von Hindenburg is naturally in sympathy, both by reason of his being one of them and of his long years of social contact with a class from which army officers are largely recruited. Von Schleicher, on the other hand, had sought to conciliate the labor parties, while his Cabinet was also weakened by internal dissensions over tariff and other agrarian legislation. In this connection it is interesting to note the statement that von Schleicher's downfall was the result of a deal between von Papen and Hitler at the urging of the Rhineland-Ruhr industrialists who objected to von Schleicher's attitude toward the trade unions which would imperil the economic program initiated by von Papen.

Upon resigning, von Schleicher is said to have indicated to von Hindenburg three solutions which might be followed to meet the Cabinet crisis, namely, (1) a parliamentary government under Hitler's leadership; (2) a minority government tolerated by the National Socialists and other parties of the Right, or (3) a "Presidential Cabinet" functioning as a "trustee for the nation," but equipped with a plenary mandate as far as the Reichstag was concerned. Von Schleicher, however, warned the President against the installation of a Presidential Cabinet that would do the bidding of only one party. Von Hindenburg heeded the warning and accepted the first solution. He immediately despatched his close friend, ex-Chancellor von Papen, to sound out the possibilities of a coalition Cabinet under the nominal leadership of Hitler as Chancellor. Within the unusually short period of less than forty-eight hours von Papen had succeeded in bringing together a Cabinet with Hitler as Chancellor and himself as Vice Chancellor, an old post which was revived as a means of giving himself (and thereby the President) a check on Hitler.

Hitler's appointment as Chancellor on Jan. 30 was a great political triumph both for himself and for the Nazi party. Twice within the last six months there had been negotiations looking toward bringing him into the Cabinet, in recognition of his large following in the Reichstag, but not as head of the Cabinet. On both occasions Hitler stood out with determination to be given the Chancellorship—"all or nothing"—and he was refused. But now at last President von Hindenburg finally conceded what he had hitherto steadily withheld. The appointment

came to Hitler at a fortunate moment, when his power was apparently beginning to wane. Discontent within his own party at the constant failure of his promises to materialize, and opposition on the part of some of his immediate lieutenants to his "all-or-nothing" policy, seemed on the point of seriously weakening his hold on his millions of followers and leading to some disintegration of the party organization. Not only by the Nazis, but by all the parties of the Right throughout Germany, the announcement of Hitler's appointment as Chancellor was received with the wildest demonstrations of enthusiasm. Jubilant Nazis and Nationalists marched past the Presidential mansion in the Wilhelmstrasse in a stirring monster parade, the like of which had hardly been seen since the revolutionary days of 1918.

And yet the new Cabinet is not the complete triumph for Hitler that the first rejoicings of his followers might seem to indicate. It might more properly be called a Hitler-von Papen Cabinet, for its formation was von Papen's work, not Hitler's; von Papen holds a strong restraining position in it as Vice Chancellor, and the Nazi and Nationalist party members in it, particularly the powerful Alfred Hugenberg, who recently represented decidedly hostile tendencies toward one another after the break-up of their temporary union in the "Harzburg front" more than a year ago, are so nicely balanced that real control is likely to remain in the hands of von Papen rather than of Hitler. Moreover, four of the ministers holding important posts in the new Cabinet—von Neurath, von Krosigk, von Ruebenach and Gereke—continue to hold the same posts that they held under von Schleicher, and it is believed that Hitler has given assurances that they will be allowed to pursue without serious modification the same policies as hitherto.

The new Cabinet is composed as follows, only the position of Minister of Justice yet remaining to be filled:

ADOLF HITLER—Chancellor.

FRANZ VON PAPEN—Vice Chancellor and Federal Commissioner for Prussia.

Baron KONSTANTIN VON NEURATH—Foreign Minister.

WILHELM FRICK—Minister of Interior.

General WERNER VON BLOMBERG—Reichswehr (army) Minister.

Count LUTZ SCHWERIN VON KROSIGK—Finance Minister.

Dr. ALFRED HUGENBERG—Minister of Commerce and Agriculture.

FRANZ SELDTE—Minister of Labor.

Baron PAUL VON ELTZ-RUEBENACH—Minister of Posts and Communications.

GUENTHER GEREKE—Federal Commissioner for Employment.

Captain HERMANN GOERING, President of the Reichstag—Minister without Portfolio and Federal Commissioner for Aviation.

Lieut. Gen. Werner von Blomberg, the Reichswehr Minister, is a soldier who has so far not been in politics. Born in Pomerania in 1878, he served as a staff officer during the World War. He attained his present rank in October, 1929, when placed in command of the important Koenigsberg army district. He has visited the United States at the invitation of the War Department and has been Germany's chief military adviser at the disarmament conference. This fact, and Baron von Neurath's continuance as Minister of Foreign Affairs, presumably mean that German policy at Geneva will not be radically altered. Von Blomberg had already served two periods in the Reichswehr Ministry.

Of the new members of the Cabinet, two besides Hitler are leading National Socialists—Dr. Frick and Dr. Goering; and two are prominent Nationalists—Alfred Hugenberg and Franz Seldte.

Dr. Wilhelm Frick, Minister of Interior, born in the Palatinate in 1877, is a lawyer by profession. As one of the early Hitlerites he took part in the Munich "beer putsch" of 1923. For this he was arrested and sentenced to prison, but he was subsequently retried and acquitted. For nearly two years he has been Minister of Interior in the Nazi stronghold of

Thuringia; for many years he has been one of Hitler's closest advisers, and since 1924 a member of the Reichstag.

Hermann Wilhelm Goering, born in Upper Bavaria forty years ago, has been Hitler's personal representative in Berlin since 1930. Trained as a professional officer, he distinguished himself during the World War as an aviator and toward the end commanded the famous Richthofen Squadron. He also took part in the Munich uprising of 1923 and was slightly wounded in the street fighting. To escape imprisonment he fled to the south and spent two years studying Italian fascism. Returning to Germany under the amnesty of 1927, he was elected to the Reichstag in 1928. The National Socialists being the largest single party in the Reichstag elected him President of the just dissolved Reichstag as well as of its short-lived predecessor.

As to the two Nationalist members, Alfred Hugenberg is the best known. He was born at Hanover in 1865, and after studying law and spending a few years in government service, chiefly the Finance Ministry, he went into banking and business. In 1909 he became chairman of the board of Krupps, holding this post until the end of 1918. He then entered politics as a Nationalist delegate to the Constitutional Assembly at Weimar and has been a member of every Reichstag under the republic. Hugenberg owes his great influence partly to his wealth and partly to his ownership or control of a long string of newspapers and movie companies.

Franz Seldte, Minister of Labor, is a manufacturer of Magdeburg, where he was born in 1882. He founded in 1919, and has since been the leader of, the Steel Helmets (Stahlhelm), an organization of World War veterans. He joined with Hugenberg in the fiasco of the anti-Young Plan plebiscite of December, 1929, and also in the Presidential election in March, 1932, when the Stahlhelm put up Theodor Duesterberg as a candidate to run against von Hindenburg and Hitler.

The policies and program of the Hitler-von Papen Government were set forth in somewhat vague fashion in a radio address by the Chancellor on Feb. 1. While the address was ostensibly an appeal for support in the elections of March 5, which will result from President von Hindenburg's dissolution of the Reichstag, some idea was given of what the new government would seek to accomplish. Hitler appealed for support of a program which aimed to wipe out in four years "the fourteen years of misrule by the parties of the Weimar coalition." He promised not to tinker with the German monetary system and declared that the government would institute strict administrative economies, would promote employment, preserve agriculture and utilize individual initiative. The address touched upon the possibility of compulsory labor and farm colonies as "the main pillars" of his program for national rehabilitation. Perhaps most notable were Hitler's words denouncing "Marxism," which he said had undermined "the eternal foundations" of the nation's morals and faith. In foreign affairs the goal would be "to put into the community of nations a State of equal value and also of equal rights." At the same time the Chancellor avowed his loyalty to international peace.

The following day Hitler outlined his principles for the correspondents of the foreign press. "Give us four years," he said, "the legal period of a Reichstag, and then let the country sit in judgment." He repeated to the correspondents that he did not seek war, but only equality for Germany with the other nations of the world.

The reception by the press of the events of these momentous days was varied. Most papers deplored the Reichstag dissolution either as unnecessary or as premature. The Chancellor's speech was printed without

comment in most newspapers, but the Centrist and Socialist press was hostile.

Immediately some policies of the new government became apparent. As was to be expected, the anti-Semitism of the National Socialists means nothing. The spokesman of the German Foreign Office declared on Feb. 2 that the "German Government is earnest and determined in its desire to guarantee safety and order for all its citizens, and it has no intention of making any unjustified experiments." But apparently this statement, which was issued primarily to reassure the Jews of America, did not extend to German Socialists and Communists. On Feb. 2 the government forbade the Communists to hold outdoor demonstrations and ordered the police to supervise closely all indoor meetings. The homes of Communist leaders were being searched by police without judicial warrants. Meanwhile clashes between Nazis and Communists, whom the Nazis would like to have outlawed, occurred in many parts of Germany, leading at least in the Charlottenburg district of Berlin to practically a stage of siege. Some encounters between Nazis and Socialists were also reported.

In the midst of these disturbances several Communist papers were suppressed, and in retaliation the Communists threatened a general strike. Handbills for this purpose were distributed in Berlin, but the distributers were arrested and the more conservative labor organizations counseled a waiting policy. The Socialist *Vorwaerts* strongly advised against a general strike at present, declaring that it "would be shooting a gun into the empty air," and advising that the weapon be used only if an attempt were made to overthrow the Republican Constitution.

GERMAN ECONOMIC CONDITIONS

Count von Krosigk, Minister of Finance, in a statement before the Budgetary Committee of the Reichstag on Jan. 10, calculated that the fiscal year ending March 31 would probably leave the Reich with a budget deficit of about $492,660,000. The amount, he declared, need not be regarded as dangerous, especially since it was a deficit not for a single year, but for three extremely critical years. The estimated deficit for the present fiscal year alone was $32,000,000.

An important item in this calculation is the deficit from the extraordinary budget of 1931. Since 1926 there has been an extraordinary budget with a huge uncovered deficit amounting to more than $250,000,000, which was to have been covered by loans, but as there has been no market for such loans it was transferred from one year to the next. As there is no present prospect of loans to cover this deficit in the extraordinary budget, Count von Krosigk declared that carrying it in the extraordinary budget would mean an attempt to conceal the actual situation. The amount would therefore be transferred to the ordinary budget as part of the regular deficit. Since this item alone represents about one-fourth of the deficit, the Reich's finances are shown to be suffering chiefly from the relative extravagance of former and more prosperous years, when governments failed to accumulate adequate reserves for future lean years. Since Bruening became Chancellor early in 1930, the financial policy of the Reich has been quite sound.

The debts of the Reich, according to Count von Krosigk, amounted to nearly $3,000,000,000 on Dec. 31. Of this the funded debt totaled about $2,500,000,000, and the short-term debt about $459,000,000. The Reich's guarantees of agricultural and other debts amounted to about $536,000,000 on Oct. 1.

The number of unemployed on Jan. 15, 1933, aggregating 5,966,000, was exactly the same as a year previously, whereas at the end of June, 1932, there were 1,500,000 more unemployed laborers than in June, 1931. The usual

increase in unemployment during the Fall and Winter months was only one-third what it was a year before. Thus the recent improvement in general industry throughout Germany has entirely made good the increase in seasonal unemployment during the Autumn and early Winter.

In the shipping industry, passengers carried on the Hamburg-American and North German Lloyd Lines were 263,000 in 1932, as compared with 274,000 in 1931. The business at the Port of Hamburg was 18,253,160 net tons in 1932, as against 20,870,000 in 1931.

The Vereinigte Stahlwerke, Germany's largest steel and mining concern, reported that domestic consumption has grown more than exports—a new development in the German business situation. Sales within Germany during the last quarter of 1932 showed an increase of 12 per cent over the preceding quarter, while sales abroad showed a rise of only 9 per cent. Output of pig iron rose from 452,917 to 594,890 tons; coal, from 3,380,120 to 4,076,940 tons; coke, from 896,925 to 1,078,435 tons. While sales in the last quarter of 1932 were 10 per cent above the three preceding months, they were still under the sales figure for the last quarter of 1931. The manual workers increased from 81,768 at the end of September to 88,893 on Dec. 31, 1932; at the end of 1931 the workingmen numbered 84,512. "Other employes" numbered 12,659 in December, 1931, declined to 11,343 in September, 1932, and diminished still further to 11,112 on Dec. 31, 1932. Thus, while productive labor increased, the "white-collar" brigade was thinned out.

The I. G. Farbenindustrie, Germany's great dye trust, also reports an improvement for the last quarter of 1932, putting 5,000 additional men at work during the three months. Dyes sold better in the home and export markets. Rayon, the total turnover of which remained the same as in the preceding quarter, made up in exports some of the loss in domestic sales, and the total was a slight rise over the sales for the corresponding period of 1931. These figures from the steel and dye industries apparently indicate that the German key industries have passed their low point.

Estimates of German grain stocks on hand indicate this year Germany for the first time will be able to meet her grain consumption by domestic production. Stores are still so large that the old problem of how much grain shall be permitted to enter Germany seems to have been reversed and the authorities are facing the problem of how to export the surplus. Although the situation in 1932 was extraordinary, because there was an unusually good crop while consumption was abnormally small, this development marks an important turning point in German economic history.

As a price slump in the grain market would harm all agriculture, Baron von Braun, Minister of Agriculture in the von Schleicher Cabinet, announced to the Reichstag Budgetary Committee on Jan. 19 that for a time the Public Grain Trading Company would buy grain at present prices and hold it for at least one year. This step prevented a price slump on the Grain Exchange, but the government's ability to dispose of the stocks purchased depends upon an improvement in business. Self-sufficiency with regard to grain may also cause difficulties in foreign affairs, because Germany heretofore has admitted grain from Southeastern European nations at preferential rates in exchange for industrial commodities.

Although Germany's balance of trade remained favorable during 1932, the excess of exports over imports decreased to about $255,000,000. For 1931 the favorable balance was about $683,000,000. This decrease of about 82 per cent had a number of causes—diminished purchasing power throughout the world, difficulties of transferring funds through foreign exchange operations, abandonment of the gold standard by many countries, and, last

but not least, changes in trade policies by countries that had previously been Germany's best customers. During 1932, for the first time since 1929, German exports decreased more than did imports. Exports declined about 40 per cent as compared with 1931; imports fell off 30.5 per cent. The average price level of goods imported was 24 per cent lower than in 1931 and of goods exported 14 per cent lower.

The favorable trade balance of 1932, though so much smaller than in 1931, was sufficient to cover charges due on Germany's foreign debts, in which the United States has so large an interest. Since the Reichsbank's gold reserves are low, the one practical means of paying interest and principal on these loans is through an export surplus. About $240,000,000 was needed for this purpose. Since the actual surplus export was larger than this amount, and since Germany also obtained certain additional credits through shipping and other services, payments on the foreign debts were well maintained.

GERMAN MILITARY ATTACHES

German military attachés, it was announced on Jan. 10, will again take their places, for the first time since the World War, in the German Embassies at Washington, London, Paris, Rome, Prague, Warsaw and Moscow. Although negotiations for this purpose had already begun with foreign governments, this is in keeping with Geneva's recognition of Germany's claim to "equality" last December. Such a move was precluded so long as foreign troops occupied the Rhineland. The new military attachés will be answerable only to the chiefs of their diplomatic missions and to the Minister of Defense. In pre-war days they were answerable only to the Kaiser and to the chiefs of the army and navy, so that sometimes they worked at cross-purposes with the civilian diplomatic authorities.

With Germany's claim to armament equality conceded in principle, the government believed that the presence of its military attachés in the world's leading capitals was essential to the understanding of German demands and expectations, especially as concerns the reconstruction of the Reichswehr and other implications that might arise from agreements reached at Geneva.

THE PLIGHT OF AUSTRIA

The outlook in Austria at the opening of the new year was gloomy. The flow of traffic on the railways and roads had diminished to a pitiable point. The streets of Vienna were more than ever filled with mendicant singers and musicians; theatres, concert halls and coffee houses were nearly empty; and numberless shops were bankrupt. The Austrian foreign debt has been piling up, and now amounts to about $500,000,000. How it is ever to be paid off when the funds to meet its service and amortization necessitate fresh borrowing is a question taxpayers have been asking.

Early in January the rise in government taxes and the effort to collect them by distraint led to serious rioting in the peasant districts of Eastern Styria. At Vorau 200 peasants attacked the Mayor and the court bailiff, who attempted to seize a peasant's pig for taxes. This led to uprisings in the neighboring villages, which were put down after the soldiers had been called from the garrison at Graz.

The situation of the small farmer in rural Austria is pitiable. He is unable to sell his timber and receives next to nothing for his produce; he is unable to name his own price for anything he has to sell, since the traders who visit him tell him the alleged prices prevailing in the cities, which he has to take or leave. These prices are rarely more than a quarter of those the consumer pays.

Opposition in Vienna by taxicab drivers to the new tax on gasoline culminated on Jan. 27 when hundreds of chauffeurs drove their taxicabs

into the main arteries of the Vienna shopping and financial districts and left them there. In similar protest against milk taxes, farmers threatened an anti-government demonstration by leading 5,000 cows through the heart of the capital.

SWISS ECONOMICS

Switzerland's economic situation grew worse during 1932, but financially the country still enjoys world confidence. The gold coverage of paper money at the opening of the new year remained at 172.4 per cent, the highest of any country, and the percentage of gold plus foreign exchange stood at 178.9. The deficit in the trade balance for the first ten months of 1932 was about $151,000,000, compared with $142,800,000 for the similar period in 1931. Exports totaling about $133,360,000 during 1932, and consisting largely of watches and clocks, machines, silks, embroideries and cheeses, decreased 42 per cent, while imports decreased only 22 per cent. The tourist trade, which normally has made the balance favorable, is estimated at below half the usual $100,000,000 figure. Unemployment is held down, however, to 49,000, largely because the rural nature of the country allows the jobless to find part-time work. The Federal Government, which derives its income almost solely from the customs tariff, anticipates a deficit of nearly $20,000,000 in a budget of less than $100,000,000. Efforts to reduce official salaries have been resisted in a country which still maintains a 1929 standard of living, and proposals for a "crisis tax" have been attacked as socialistic.

Spain's Radical Revolt Collapses

By WILLIAM E. LINGELBACH
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EARLY in January Spain was again shaken by a serious revolt. It broke out first in Barcelona on Sunday, Jan. 8, and continued for three days, when the government forces suppressed it, after martial law had been proclaimed in the affected provinces. From Barcelona, which is a hotbed of radicalism, the revolt spread rapidly to Valencia, Granada, Seville, Cadiz, Madrid and even Oviedo in the mining region of the northwest. Particularly heavy fighting took place in the Tirane district of Seville. Thirty-seven persons were reported killed and hundreds wounded. Many caches of bombs were seized by the civil guards, while employes of government and private institutions prevented much sabotage.

How closely the riots were due to Communist propaganda cannot be determined. A joint Syndicalist-Anarchist manifesto of Jan. 9 announced that "a revolution is now in progress in many places like Barcelona and Lerida; the soldiers are joining. * * * Several Valencia towns already have cut off the yoke of an unjust capitalist régime and proclaimed an Anarchist-Communist government." It further urged the cutting of telephone and telegraph wires, interruption of railroad service and "the burning of all old-fashioned archives."

The revolutionists evidently had a well-developed plan, which was to be carried out by the numerous syndicalist organizations, supported by general strikes. The discovery by the Barcelona police of Communist literature and considerable stores of bombs

gave the plot away and apparently led to the premature outbreak on Jan. 8 of the two groups involved. The Anarchists are organized as the Federación Anarquistica Ibérica (FAI), which controls the labor unions of Barcelona; the Communists are organized in two groups, the official party and the large Workers' and Peasants' party, which includes many peasant proprietors, and is therefore anathema to the pure Communist.

The accusation that the movement had been financed and fostered by the Royalists seems to be unfounded, despite the fact that certain Republican newspapers openly charge them with complicity in the uprising. The accusation had a peculiar significance because just before the outbreak twenty-nine Royalists escaped from Villa Cisneros, the fever-smitten exile colony in Africa. *El Sol,* Azaña's semi-official paper, declared that "the Anarchists and pseudo-Communists * * * were probably hired with money which had some degree of parenthood with the money paid the commander of the mysterious French schooner which conveyed the escaped deportees from Villa Cisneros." The Monarchist *ABC* claimed that the outbreak was only another manifestation of the lawlessness that caused the revolution of December, 1930. It represents, the paper said, the effects of unemployment and a reaction against the participation of the Socialists in the government. Whatever the facts in the case, the government ordered the return from Villa Cisneros of fifty-nine royalists implicated in the August uprising. The exiles arrived at Cadiz on Jan. 22 and were promptly hurried to Madrid for trial.

After voting the budget on Dec. 28 the Cortes recessed until February. Passed by a vote of 236 to 20, the second budget of the Republic is the largest Spain has ever had. Expenditures were estimated at 4,727,000,000 pesetas (at par the peseta is worth 19.295 cents) and total revenues at 4,722,000,000, of which 600,000,000 pesetas will be obtained by an issue of government bonds to cover a deficit of about that amount. Included in the expenditures is a large loan to Mexico for the purchase of warships in Spain. This is in accord with the policy of the republic to develop closer relations with Spanish-American countries to whom a system of exchange involving very little cash was proposed some time ago. Within a fortnight announcement was made that the Mexican Government had ordered four gunboats and several smaller craft to be built in Spanish shipyards at an estimated total cost of 63,000,000 pesetas. The work will greatly assist the steel industry and remove about 13,000 ship workers from the unemployed list. The great increase in the cost of government corresponds to the tendency in all countries, and seems to be inevitable with the assumption of many new social activities formerly conducted by private or semi-private institutions. The educational work of the church alone cannot be duplicated without an enormous outlay of money.

In the meantime the Azaña Government conducts the nation's affairs in rather dictatorial fashion despite strong opposition from the Right and the Left. It has succeeded in republicanizing the administration, the army and the police, has destroyed the State church and secularized education. Whether it has republicanized the nation will appear in the municipal elections in April. These will be held under the new register, which has the names of about 12,500,000 voters, more than half of whom are women. In view of the fact that there are nearly 130 vacancies in the Cortes some suggest that that body may soon be dissolved and a national election held.

Early in the month the Catalan Government began consideration of a draft constitution of sixty articles providing for a Cortes elected by popular vote for four years. The President is chosen by the Cortes and

governs with the aid of a Cabinet. He must be forty years or over, and cannot be an ecclesiastic or a soldier in actual service. Difficulties with the Separatists soon arose; a powerful group demanded complete autonomy. Under pressure from the Extremists Premier Juan Lluhi, a supporter of compromise and moderation, resigned on Jan. 23 to make way, it was rumored, for Ventura Gassols, the Catalan poet and nationalist, and a Cabinet of Extremist pro-Catalans, many of whom are Anarchist-Syndicalists and Separatists. This is the more ominous because of the difficulties confronting the mixed commission on the relationship between the two governments.

The statute recognizes Catalonia's right to control education but permits the central government to maintain a national system of education. Exactly how this is to be done is difficult to see. Already a dispute has developed over the question whether the University of Barcelona is to be bilingual and represent both the National and the State system or whether there are to be two rival universities.

In the matter of taxes the solution seems to be less difficult. It has been agreed that Catalonia is to collect virtually all direct taxes and distribute them on a ratio based on an average of Catalonia's contributions to the national government over the four years from 1927 to 1930. No solution of the difficult question of the control of the police has yet been worked out.

Despite Azaña's earlier announcement that the Spanish forces in Africa would be reduced to a minimum, the High Commissioner of Spanish Morocco returned to Tetuan early in January with instructions to be firm with the Moors. He had been called to Madrid because of the tension between the European powers, the threatened revolt of the tribesmen and the financial difficulties of Tangier, which was internationalized in 1923. [See the article by John R. Tunis on page 675 of this magazine.] France had offered a loan of $160,000, but both Great Britain and Spain opposed the loan. Italy, too, is opposed to French policies in the region and to a further extension of French influence in North Africa.

FASCIST ECONOMIC PLANNING

Interest in Italy during January was again focused on economic questions. The policy of regulating industrial production is being carefully developed. No new factories and no expansion of old ones are allowed without the consent of the Technical Board. Approval is categorically refused in industries like iron manufacturing, which, a recent survey showed, had reached through speculative expansion a possible maximum production that is out of line with the capacity for consumption. On the other hand, planned expansion is being inaugurated in industries where there is a prospect of profit or where economic development is necessary. Thus textiles, which have suffered severely from the world depression, are being expanded because of the production of raw silk, an essential phase of Italian agriculture to which the Fascist régime has given particular attention from the beginning.

The serious effect of the first years of the depression on the silk industry was clearly brought out in a recent report of the Association of Fascist Corporations. It shows that the output of cocoons fell from 116,812,000 pounds in 1929 to 77,140,000 pounds in 1931; the price declined to about one-sixth at 11 cents or less a pound. Many farmers began to cut down their mulberry trees and one of Italy's oldest and most important sources of national wealth was threatened with ruin. Fortunately the government came to the rescue with bounties for the growers and a fund of about $1,750,000 to improve conditions in silk culture.

In his address before the annual meeting of the Association of Italian

Corporations, Dr. Pirelli emphasized the idea that the second decade of fascism expects to do for industry what had been so successfully done in agriculture. The Institute of Industrial Reconstruction, in conjunction with the leaders of the Fascist party, is making a vigorous and constructive attack upon the problems of unemployment. At the beginning of 1933, of the 1,038,757 jobless 290,000 were receiving government aid. January brought a slight improvement. There is apparently a great deal of money in Italy awaiting investment when confidence is restored and favorable opportunities arise.

A favorable balance has been maintained in foreign trade, but the contraction of both imports and exports has continued despite the optimistic statements by Fascist leaders that economic revival is well started. Committed to a policy of reciprocity in trade relations, the government hopes for a debt adjustment with the United States, which will secure a more favorable treatment to Italian exports in a world of ultra-protectionist and monopolistic tendencies. The British Imperial Preference plan of the Ottawa conference is much resented, and Italians are inclined to challenge it, or at least to meet it by government - controlled and government-directed foreign trade. Scrupulous attention is being given to the development of the mercantile marine, and Italy bids fair to become an important competitor for the carrying trade of the Mediterranean. In this domain, as in agriculture and industry, the State, while recognizing the importance of private capital and private initiative, does not hesitate to direct and control.

The Fascist party directorate undertook a thorough housecleaning during January. More than 5,000 of the local heads were demoted and young men, enthusiastic and energetic, were put in their places. Many local Black Shirt organizations have thus had new life injected into their activities. More than 150,000 have been added to the membership, many without previous training in the Avanguardisti.

From the Vatican comes the news that a consistory is likely to be held in the near future. The last was held in June, 1930. The proclamation of a Holy Year, beginning on April 2, 1933, is regarded as giving a definite impulse to the movement. Seventeen vacancies in the Sacred College are given as another reason, since the appointment of Cardinals is usually associated with a consistory. At present there are 53 Cardinals, 26 Italian and 27 non-Italian.

PORTUGUESE DICTATORSHIP

At the close of 1932 a decree was issued by the Portuguese Government extending the term of President Carmona from four to six years. Elected in 1928, he will now continue in office till 1934, unless something unforeseen happens. For the present, at least, the nation seems satisfied; danger from the Opposition is so slight that the Dictator has issued an amnesty decree permitting the return of more than 800 political exiles. On the other hand, the fact that about fifty persons of importance, including Alfonso Costa, one-time Prime Minister, and Dr. Bernardino Machado, twice President of the republic, were not included, has led to a formal protest on the part of the garrisons of Oporto and several other places to Oliveira Salazar, the Prime Minister.

Unlike many other countries, Portugal seems to suffer very little from the depression. She has balanced her budget; there is plenty of food and drink—wine is actually cheaper in Lisbon than bottled water. Naturally Portuguese wine exporters are watching eagerly for the repeal of the Eighteenth Amendment.

Yugoslav Fears of Italy

By FREDRIC A. OGG
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PERHAPS it is asking too much of any political régime in these troubled times to expect it to achieve a record assuring it genuine popularity. At all events, the fourth anniversary on Jan. 4 of King Alexander's dictatorship in Yugoslavia found that régime deficient both in popularity and in recorded success. Instituted in 1929 to overcome the paralyzing effects of party strife, to transform a divided into a united nation, and to present to foreign countries a solid front which would lessen difficulties abroad, the dictatorship has apparently in four years yielded small results in the direction of centralization, while the foreign situation has been improved but little, if at all. In the opinion of many observers only the divided interests of the several peoples of the kingdom make possible the continuance of the system.

The one definite consolidating force has remained the popular fear of Italy, shared by Serb and Croat alike, and powerfully stimulated in recent months by the reported efforts at Rome to obtain a customs union with Albania. So seriously was this new Italian policy viewed at Belgrade that on Jan. 2 the Yugoslav Minister in London called at the British Foreign Office to say that his government would never allow the project to be consummated and to impress upon the powers that in the interest of peace they should throw their influence against it. It was understood in London that, with a view to relieving Franco-Italian tension, Premier Mussolini had proposed to the French Government a plan, according to which France would have a free hand in North Africa, while Italy would turn to the Balkan peninsula. Considering the negligible volume of Albanian foreign trade, the suggested customs union was viewed as a subterfuge designed to strengthen the Italian position east of the Adriatic.

At the December conference of the Little Entente it is understood that Yugoslavia obtained from Rumania a secret promise guaranteeing her frontiers against attack by Bulgaria and Hungary, and also assistance, if needed, in defense of her Albanian border. This report was strengthened in the latter part of January when King Alexander visited his brother-in-law, King Carol of Rumania, and, it was said, secured a secret compact, promising Rumanian support of Yugoslavia against Italian attack. As Rumania is still bound by a treaty with Italy, an anti-Italian treaty was impossible, but it is believed that a way out was found in a promise of support if a conflict should arise between Yugoslavia and Albania. Since Yugoslavia expects an Italian attack to come through Albania, the arrangement would offer a way out of present Rumanian obligations.

Because of the threat from Italy the Yugoslav Government apparently has decided to revive its strong-arm policy. During the last week of January all political leaders in Yugoslavia except Serbs were arrested or exiled. Dr. Marko Natlacen, vice president of the Slovenian People's party; Dr. Anton Ogrisek, a prominent advocate of federalism, and Dr. Kulovetch, a former Minister of Agriculture, were

suddenly arrested on Jan. 27 and banished to remote parts of the kingdom. The following day Father Anton Korosetch, leader of the Slovenian People's party and a former Prime Minister, was interned in Vronjacka Banja, a Yugoslav health resort. Recently these Slovene leaders published their party program in which autonomy for Slovenia was demanded. Dr. Vladko Natchek, a popular Croat leader, was arrested in Belgrade on Jan. 31 and interned in a village near Sarajevo.

THE FAITH OF BULGARIA'S PRINCESS

Although Bulgaria had hoped for a male heir, the birth of a daughter to King Boris and Queen Joanna on Jan. 13 furnished occasion for much rejoicing throughout the country. Before the child was forty-eight hours old, however, she became an issue between the Bulgarian royal family and the papal authorities in Rome. The marriage in 1930 of Boris and Joanna, daughter of the King and Queen of Italy, was long delayed by differences of religion and was finally sanctioned by the Pope only after a promise had been made, both orally and in writing, that any children born to the union would be brought up in the Roman Catholic faith of the mother rather than the Greek Orthodox faith of the father, despite the Bulgarian constitutional provision that the King's eldest son be Orthodox. Considerable offense was given Rome by a repetition in the Orthodox Cathedral in Sofia of a wedding ceremony performed in the Basilica of St. Francis Assisi in Italy, but it appears to have been assumed that the promise concerning the baptism of offspring would be carried out to the letter.

When the first-born arrived, however, King Boris evidently had different ideas. In a hurried ceremony on Jan. 15, attended by most of the Cabinet and court officials, the Princess was baptized in the Orthodox faith by the Metropolitan of Sofia, with Premier Malinov acting as godfather. An energetic protest lodged by Mgr. Roncalli, the Apostolic Delegate to Sofia, drew from the Premier the explanation that the action objected to was decided upon by the King and Ministers because of the provisions of the Constitution and the determination of the Bulgarian people to have an Orthodox dynasty. The publication on Jan. 18 of documents exchanged between the Pope and Queen Joanna before her marriage bore out the papal contention so far as the child's mother was concerned but did not prove that King Boris was similarly pledged. It was expected that the Pope would take occasion to express disapprobation publicly, as he did on the occasion of the duplicate marriage ceremony of 1930, but that the incident would then be closed.

Bulgarian newspaper circles were much perturbed in January over a new censorship law, which imposed penalties of fine and imprisonment for writing or publishing news tending to discredit the national currency or government securities, inciting to crime, attacking religion, giving data on national defenses, or spreading abroad false, "or even true," information calculated to arouse public unrest or to injure the prestige of the government. Veiled attacks on unspecified individuals or institutions were to be considered as "aimed at any person or institution to which the offending article might be construed as referring."

A government bill granting amnesty to the last of the political refugees of the Agrarian Cabinet of Premier Stambulisky, who, with many of his followers, was slain in a coup d'état in 1923, was passed by the Sobranje on Jan. 13, thus bringing to a close a dark chapter in the country's history.

NEW RUMANIAN MINISTRY

During the life of the Jorga Ministry last year, which was marked by King Carol's strong personal rule, a number of Rumanian military men were appointed to high civil posts, in-

cluding the headship of the State railroads and postal service. Under the Maniu Ministry several of these persons were removed, and early in January Minister of the Interior Ion Mihilache sought also to oust Colonel Marinescu and General Dumitrescu, who had been made Prefect of Police of Bucharest and commandant of the national gendarmerie respectively. Encountering opposition from the sovereign, M. Mihilache resigned, whereupon the Cabinet was obliged to decide whether to join him or remain in office. After three or four days of uncertainty, chiefly because of the absence of Nicholas Titulescu, the Foreign Minister, Premier Maniu on Jan. 12 handed in his resignation and that of his colleagues.

During the earlier stages of the crisis it was generally doubted whether any other National Peasant Ministry could be formed, and, since the Liberal opposition was hostile to the King, there was fear that the only solution would be a semi-military dictatorship. Contrary to expectation, however, Alexander Vaida-Voevod, the former National Peasant Premier, who had resigned only three months previously because of the wrecking of his project for a non-aggression treaty with Russia, succeeded on Jan. 14 in forming a government which has the support of the existing Parliamentary majority. Except for Minister of the Interior Mihilache and M. Maniu himself all the former Ministers were retained.

The Council of the League of Nations on Jan. 28 put into effect a new scheme for supervising Rumanian finances. A staff of experts named by the League and reporting regularly to the Council through a financial adviser will be sent to Rumania. If at any time the recommendations of the experts should not be followed they may be withdrawn, but the effect on Rumanian credit would be obvious. On the other hand, if the four-year term set for League control should prove to be too long the advisers may be withdrawn.

The fear of Communist agitation in Rumania may have some basis in fact if accounts of the discovery of a widespread Communist espionage organization can be accepted. The Rumanian secret police on Jan. 28 declared that they had unearthed proof that such an organization existed and that it was connected with the notorious anti-Semitic "Iron Guard." Thirty-four employes in a Rumanian postoffice were arrested and charged with being Communist spies. Four days earlier nine policemen and eight other persons were injured in Bucharest when the police dispersed a demonstration by the "Iron Guard." At Ploesti on Feb. 1 riots, which it was alleged had been organized by Communists, occurred at the oil refinery of the Romano-Americana Oil Company, a subsidiary of the Standard Oil Company of New Jersey. Thirty-five persons were injured and considerable property damage was done before the rioting was brought under control.

ARMS SHIPMENT TO HUNGARY

Recurring suspicion that arms are being shipped from Italy into Hungary was aroused early in January when Socialist newspapers in Vienna reported that forty freight cars loaded with rifles and machine guns from the south after arriving at the Hirtenberg factory had been transshipped into Hungary. An Austrian official communiqué, while admitting that arms had come in from Italy, asserted that they were old Austrian war material which fell into Italian hands during the war, and explained that the guns, instead of being taken to Hungary, were merely being distributed among Austrian factories for repairs and modernization as a means of providing employment; a later Foreign Office explanation, however, was more equivocal. Whatever the facts, the incident added to the distrust with

which Italo-Hungarian relations are viewed in neighboring countries.

A book published at Budapest in January, by a certain Dr. Schiller, secretary to the late Eugen Rakosi, Hungarian journalist, created somewhat of a sensation by relating circumstantially that the British Viscount Rothermere not only was once asked whether he would accept the throne of Hungary, but indicated his willingness to do so, and, further, that Premier Mussolini promised to look favorably on such a possibility.

A recent report by the finance committee of the League of Nations declared that Hungary's financial situation had grown worse. The report recommended that the number of civil servants be reduced, that State enterprises be reorganized and that foreign creditors be asked to agree to the deposit of Treasury bonds amounting to 50,000,000 pengoes [at par the pengo is worth 17.489 cents] to meet their claims. The Hungarian Parliament on Feb. 1 proposed that the transfer moratorium be extended to Dec. 22, 1933. Meanwhile Parliament was seeking to raise taxes and to cut State salaries and pensions in an attempt to meet a situation which is in part the result of a 40 per cent decline in national income since 1928.

GREEK CABINET CRISIS

Charged with conspiring to establish a royalist dictatorship in Greece and with pursuing a policy regarding foreign debts calculated to cause further depreciation of the drachma, the coalition Cabinet of Premier Tsaldaris was overthrown by an adverse vote in the Chamber on Jan. 13. Among the financial acts of the government which caused criticism was the payment to the United States of $65,376—30 per cent of the total due on Nov. 10 on the additional 4 per cent loan made to Greece in funding its obligations. On being invited to form a new coalition of anti-Venizelist parties, M. Tsaldaris took the position that the stronger Venizelist bloc ought to try first. President Zaimis entrusted the task to Kaphandaris, the Progressive leader, who, however, failed. On Jan. 16 the veteran Venizelos himself made up a government commanding 120 votes, or a bare majority. Notwithstanding several "final" withdrawals from political life, M. Venizelos promises to equal the record of the late M. Briand of France as head of numerous Cabinets. On Jan. 24 Premier Venizelos obtained the Senate's approval of a decree ordering new elections for March 5.

The growing friendliness of Greece and Turkey was reflected in exceptionally complimentary messages exchanged on Jan. 1 between the Presidents, Premiers and Foreign Ministers of the two countries. Among factors making for close relations between the two is undoubtedly the apprehension stirred by the tension existing between Yugoslavia and Italy.

CZECHOSLOVAKIA IN THE DEPRESSION

According to official figures made public on Jan. 20, Czechoslovakia's foreign trade, which stood at $1,000,200,000 three years ago and at $760,000,000 in 1931, fell to $450,000,000 in 1932. Furthermore, registered unemployment, as a result of an unexpected increase in December, reached the top figure of 750,000, which does not include the large number in Slovakia and Ruthenia who do not receive unemployment pay. The Prague Government sought, through Minister Veverka in Washington, on Jan. 21, information as to how it might go about obtaining reconsideration of its war debt to the United States.

In a speech before the budget committee of Parliament on Jan. 14, Foreign Minister Benes issued a warning against a new wave of treaty revisionism which, he said, was sweeping over Central Europe. He disclaimed apprehension that Czechoslovakia would ever have a war with Germany, but said that there would be danger of being drawn into a general conflict.

Scandinavia Works for Recovery

By SIDNEY HERTZBERG

THE government of Denmark under its Social Democratic Premier, Theodor A. M. Stauning, has undertaken to combat unemployment and agricultural distress by injecting itself into the nation's economic affairs to an extent probably unprecedented in the annals of nominally capitalistic countries.

The most striking move came on Jan. 31, when the Folketing outlawed lockouts and strikes until Feb. 1, 1934. This action followed the decision of the Danish Employers Association to close their shops to almost 100,000 men in the iron works and building crafts after the collapse of negotiations on their demand for a 20 per cent wage reduction. Premier Stauning declared that such a step would be "madness" and would result in disaster for Denmark. The law passed extends the existing agreements between the employers and the unions for one year and thus saves the workers from wage cuts and from a longer working day.

In return for the acquiescence of the Opposition to this legislation, the government pegged the exchange rate of the krone at 22½ to the British pound. The expectation that this would increase the farmers' income was fulfilled almost immediately when the prices of butter and eggs rose about 10 per cent.

The proposals on which general agreement has been reached include the following: Speeding up national and local building plans and shortening the hours of labor so as to increase employment; establishment of small land holdings for the unemployed; expenditure of 125,000,000 kroner for the distribution of meat to the unemployed; expenditure of 75,000,000 kroner on public works, to be financed from a national bank fund which will total about 250,000,000 kroner and will be used to "bring about increased liquidity for private enterprise and to re-create more normal credit facilities"; reduction of property taxes by the assumption by national authorities of part of the public expenditures of local governments; a moratorium on frozen agricultural loans; prohibition of interest rates in excess of 3 per cent for bank deposits at notice and 3½ per cent for deposits on demand.

According to official figures, the percentage of unemployed in Denmark at the end of December, 1932, was 42.3, as compared with 32.2 at the end of December, 1931. Of this total the percentage of unemployed industrial workers at the end of December, 1932, was 35.2, compared with 27.7 the year before. The government's income from consumption taxes in December, 1932, was 12,100,000 kroner, of which 3,700,000 kroner was customs revenue; the corresponding figures for December, 1931, were 12,600,000 and 4,700,000 kroner. (The par value of the Danish krone is 26.799 cents; on Feb. 3 it was quoted at 15.17 cents.)

Danish farmers found new cause for anxiety in the break-down of the Swedish-German trade negotiations. Because of the most-favored-nation clause in the Swedish-German trade treaty, Denmark enjoys certain privileges on the German market, particularly in regard to cattle. However, the treaty was due to expire on Feb. 15, with no immediate prospect of renewal and with Denmark's farmers facing new tariff barriers.

SWEDEN'S RECOVERY PROGRAM

The program which Sweden's Socialist Cabinet outlined at the opening of the new Riksdag on Jan. 11 showed that the government has accepted the advice of the expansionist economists and will make extensive expenditures for public works. By so doing it hopes not only to decrease unemployment but also to revitalize the economic system with fresh purchasing power and thus break the hold of the depression.

The government proposed that a total of about 240,000,000 kronor be borrowed, mainly on short terms, for public works, unemployment relief and the transfer of certain items from expenditure account to capital account. This would be met partially by a 20 per cent increase in the income-tax rate and by an increase in estate duties so as to raise the yield from these sources from 15,000,000 kronor to 40,000,000 kronor, which amount would be set aside as a sinking fund. The excises on spirit, malt and tobacco would also be raised. The total of the new budget is 1,029,000,000 kronor, as compared with 896,000,000 kronor for 1923-33. Economies are shown in the estimates for national defense, agriculture and higher education. (The par value of the Swedish krona is 26.799 cents; on Feb. 3 it was quoted at 18.39 cents.)

Inasmuch as the Cabinet does not command a clear majority in the Riksdag there is no assurance that this program will be put into effect. Opposition may also be expected from the Riksbank, the full cooperation of which is vital to the plan. Although the bank is State-controlled, the directors now in charge are not the nominees of the present Social Democratic régime.

It was officially announced on Jan. 15 that Sweden's negotiations with Germany for a new trade treaty had broken down. There seems to have been a good deal of irritation with what the Swedes regarded as an unreasonable attitude on the part of Germany. The present trade treaty was due to expire on Feb. 15. Press comment in Stockholm is sympathetic to the reorientation of Sweden's trade policy from Germany toward Great Britain. Reports of the Anglo-Swedish trade conversations indicate that satisfactory progress is being made.

The Communist Grip on Russia

By EDGAR S. FURNISS
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THE Kremlin's decision to override the present economic difficulties of the Soviet Union without surrendering any of the socialistic objectives has turned the attention of the country once more to the problem of political control. This decision presupposes unwavering discipline and loyalty of the Communist party membership and absolute submission by the people at large to the domination of the party. The leaders realize that they must have in their own hands complete control of the party structure and must obliterate any remaining opposition in the country, or else their program will collapse through the refusal of the people to bear its costs.

To emphasize their determination to strengthen their grip upon the party, the leaders have charged the Communists of the country with responsibility for the agrarian collapse.

Joseph Stalin, in his speech of Jan. 16 before the Central Committee of the Russian Communist party, declared: "We Communists, who have the greatest power and authority the world ever saw, have made a series of glaring blunders. We are the ones to blame." The remedy which is being applied is a searching inquisition into the orthodoxy of the party membership with the purpose of expelling those of weak faith and administering exemplary punishment upon any whose conduct can be defined as treasonable. Thus far the inquisition has been carried out with dramatic results in South Russia and the Caucasus, but this is only a prelude to a comprehensive and nationwide "purging" which will call each of the party's 2,000,000 members and the 1,000,000 candidates before the heresy hunters.

The districts selected for the first attack represent the rural area in which the failure of the agrarian plan was most pronounced. If the result of the inquisition in these districts is any indication of the final outcome for the country as a whole, the party will be subjected to the most drastic shake-up in its history. Here the inquisitors reported what, from their point of view, was an appalling state of affairs. Not only had kulaks and their sympathizers crept into the party but important party offices were held by former officers of Admiral Kolchak, General Denikin and other counter-revolutionary leaders. Already 30 per cent of the members in these districts have been dropped from the party rolls, and on certain individuals severe penalties have been inflicted.

Thus in the lower Ukraine three men—two of them high party officials and the third an agricultural expert—have been condemned to death for giving false information regarding the grain crops; eight other party officers have been sent into exile for long terms for the same offense. In this case the accused had attempted by falsifying the grain statistics to reduce the government's requisition upon their territory. In Sebastopol six city employes were sentenced to be shot and a number of others to imprisonment for the more serious offense of taking bribes from private traders and speculators. It was found that these individuals were almost without exception former officers or soldiers in the White armies. In Moscow the manager of a warehouse and three employes were sentenced to death, three others to a ten-year term in an isolated prison camp and two others to terms of two years in jail.

Even more dramatic than these punishments of inconspicuous party workers has been the renewed attack upon men of the highest standing. Zinoviev and Kamenev, it will be recalled, fell under party censure some time ago. During the past few weeks murmurs have been raised against the orthodoxy of Rykov, Bukharin and Tomski, apparently because they have not been outspoken in their support of the coercive measures with which Stalin is attempting to obliterate peasant opposition to his policy. These are men of high honor in the annals of communism, but their years of leadership have not protected them from the heresy hunter. All three have been compelled to take part in a humiliating ceremony before the Central Committee of the party, confessing their sins, pleading repentence and vying with each other in their adulation of Stalin. Of the three, Bukharin alone was able to persuade the committee of his sincerity; Rykov and Tomski received sharp warnings and were put on probation. Other veteran Communists have not escaped so lightly. Eismont, Commissar of Supplies for the Russian Republic, and Tolmashov, Commissar for Municipalities in the same government, have been expelled from the party; and Smirnov, Vice Commissar for Agriculture, has been removed from the Central Committee, with a warning of ultimate expulsion unless he rids himself of his doubts.

Stalin's ruthlessness in suppressing

›position has left him in more ete control of the organs of au- y than ever before. These dis- ary measures against his asso- in high office were taken early h in January so that the com- ration of Lenin's death on the f the month could be devoted to onstration of unanimous loyalty party leader and to his uncom- sing program. Nevertheless, as quisition continues, there is evi- of increasing uneasiness and n within the party which prom- one too well for the critical is ahead.

ile these steps are being taken to then the inner cohesion of the , the Kremlin is moving toward re complete subjection of the to party dictatorship. In South a the government has deported ntire population of three vil- ommunities, reported to contain 45,000 men, women and children, nishment for their failure to co- te in the program to increase ag- ural production. The people have exiled to barren lands in the far ; their property is to be divided g members of the Red Army and individuals whose loyalty to the nunist program is unquestioned. n. 24, a few days after this oc- nce, Premier Molotov and Joseph issued a joint decree which tened the people of the district the death penalty if they hin- plans for the Spring planting. authorities are empowered to ize the peasant population for rain campaign under semi-mili- discipline and to appoint over a special commission with dicta- power, including that of inflict- leath penalties. The deportation is but one of a number of similar rences which have taken place n the last few weeks.

ese isolated cases of aggression st the people, however, are not gnificant as the nation-wide pol- f popular regimentation which ecently been announced. The key- stone of this policy is a "domestic passport system" which requires every individual to demonstrate his right to continue to live in his present community. The purpose of the policy is to facilitate the deportation of undesirable or unproductive groups; the passport will be given only to those who are engaged in work of which the government approves; all others may be expelled by the police from the city or village. Where these people are to go and what is to become of them has not been made clear. The government has announced that they will be "free to move into another part of the country," but as the system is to be comprehensive in its scope, it seems to imply that these people must place themselves in the hands of the government to be assigned to regions and occupations for which it is impossible to secure voluntary supplies of labor. The number of people affected is indicated by the estimate that 800,000 will be driven out of Moscow alone.

The government has issued advance instructions that those refused passports must move at their own expense within ten days. What action will be taken against them if they refuse to obey or are unable to move to another home has not been made clear. The final date for the granting of passports has been set for April 15, but the first expulsion orders affecting those already registered were issued on Jan. 27. Moreover, large numbers of people, especially in the large cities where the new policy is expected to be applied most severely, have begun to flee from their homes without awaiting the command of the police. Observers within the country report a state of uncertainty among large sections of the urban population very like the terror of the early days of the revolution.

From a review of these recent activities of the Soviet Union one gets an impression of the seriousness of conditions in the country and the gravity of the task confronting the Communist leaders. Statistical evi-

dence of current economic conditions is neither plentiful nor reliable. The spokesmen of the Union, as would be expected, minimize the shortcomings of the Five-Year Plan and the present distress of the people. Such was the tone of Stalin's long-awaited speech on Jan. 7 before the leaders of the party in which the accomplishments of the past five years were reviewed and future development was forecast. It was asserted that 93.7 per cent of the industrial program had been accomplished and that the slight lag behind the schedules had been due primarily to war danger. The year's poor record of agricultural production was concealed by a mass of statistics showing the general results of rural socialization, namely, 200,000 collectives and 5,000 State farms embracing 60 per cent of the peasants and 70 per cent of the cultivated land whose area had been expanded by an addition of 50,000,000 acres during the past four years. The economic condition of the people was said to be better than at any time in Russian history—wages had risen steadily, unemployment had disappeared and the workers were benefiting by numerous social services such as communal feeding and the system of social insurance.

These optimistic statements are less significant for the light they shed on prevailing conditions in Russia than as an indication of the temper and policy of the nation's rulers. The actual living conditions of the average man in Russia today are made plain by the letters of complaint in the Soviet press, by the bread lines of the cities, by the obvious hunger and poverty of great masses of people in many localities. Stalin's speech is a declaration that this enormous burden of privation does not count in the minds of the dictators as a criticism of the Communist program of forced and hasty socialization. There will be no compromise with capitalism out of compassion for Soviet citizens.

The economic program for the next few years was also reviewed by Stalin and by Premier Molotov in other addresses on the same occasion. The present year, according to Molotov, will be devoted to repairing the weaknesses of the previous program in the heavy industries and in transportation. At the same time, every effort will be made to increase the output of goods for household consumption. After this period of consolidation has passed, the rate of industrial expansion will be greatly retarded as compared with the pace set during the past four years, and also as compared with the figures of the abortive second Five-Year Plan announced a year ago. Various minor concessions to the peasants, including the abandonment of grain collections in favor of a fixed tax, were announced, but these are changes in procedure only, involving no relaxation of the system of socialization and no mitigation of the war against the kulaks.

Obviously the success of these plans rests upon the strength of the Communist party and the completeness of its social control. So far there is no evidence of popular rebellion under the pressure of hard times; indeed, there is less evidence in Soviet Russia than in many capitalist countries. But it is well for the student of Soviet affairs to bear in mind, while following the trend of events in the future, that the government's own system of collectivization has introduced a new factor into the situation. The collectives provide a legal form of organization among the formerly disorganized and inarticulate majority. They may be turned to the uses of political opposition if the pressure of privation becomes unendurable. Trotsky, in the latest volume of his *History of the Russian Revolution* (New York: Simon & Schuster, 1933. $3.50), predicts that this pressure will indeed become unendurable and that Stalin's experiment must collapse unless the day is saved by proletarian revolutions in other countries.

The developments of the past few weeks in the sphere of foreign affairs

have had no great effect upon the international relationships of the Soviet Union, save perhaps in the direction of lessening her security against war. The situation in the Far East has become more uncertain because of the Japanese invasion of Jehol. In this troubled area the Soviet diplomatic policy has scored outstanding successes in the recent past. Requiring peace at almost any cost and therefore debarred from any display of real belligerency, the Soviet Union has threaded her way through the hazards created by the Japanese invasion of Manchuria, preserving all her rights and the principles for which she stood, protecting her frontiers, and maintaining relations of neutrality, if not of friendship, with all parties to the conflict. While avoiding recognition of Manchukuo she has succeeded in establishing consular relationship with the new government. Differences with China have been settled and diplomatic relations with Nanking have been re-established without causing a break with Japan or preventing negotiation of a trade agreement with that country. This is a real achievement. Nevertheless, the latest development of Japanese strategy has created serious dangers.

The conquest of Jehol will not of itself change the situation, since this province is obviously destined to become a part of Manchukuo, to whose independent existence the Soviet Union has already adjusted her policy. But it involves hazards in Mongolia, whose preservation as a Soviet republic the Union may feel obliged to defend against either an attack from Japan or Mongolia's own decision to throw off Russian rule. With numerous dangers of friction already existing on her Siberian frontier, the Soviet Union sees in the Jehol incident a new and formidable threat to peace. Nor is it reassuring that Japan steadfastly refuses to sign the non-aggression pact which the Union has long been pressing upon her.

In other quarters developments have been on the whole adverse to the Soviet Union. Relations with Finland and the Baltic States, governed though they are by treaties of non-aggression, have been embittered by charges of Communist espionage and conspiracy and counter-charges of brutality toward nationals of the Communist faith. Italy has announced her intention to abandon the trade agreement which she has had with the Union since 1924. Negotiations with Great Britain, looking toward a resumption of formal trade relations, still hang fire. On the positive side of the account there is a growing and openly expressed belief that the long-sought American recognition has been brought within the range of probability by the last election.

Egyptian Cabinet Crisis

By ROBERT L. BAKER

PREMIER Sidky Pasha's government, which has never been very secure, appears to be growing weaker day by day. Its arbitrary methods in dealing with a hostile Parliament, press and people have again been given unfavorable publicity by the Badari case, which has exposed the existence of irregular practices among petty officials and in the lower courts.

In this case two youths were convicted by the Assize Court at Assiut for the murder of the subprefect of the Badari district of Upper Egypt,

one being sentenced to death and the other to life imprisonment. On appeal the Court of Cassation found that the lower court had neglected certain evidence that would have served as ground for clemency. According to this evidence, the subprefect had caused the youths to be arrested on a trivial charge and brutally tortured. This treatment excited the victims to take revenge after their release. The Court of Cassation, however, upheld the verdict. Despite the censorship the facts became public and led to popular agitation. The Minister of Justice ordered an inquiry and recommended that the King should commute the death sentence in the one case and reduce the term of imprisonment in the other. Almost immediately the Minister of Justice received a great many letters complaining of similar abuses by officials in other parts of Egypt. The Opposition press lost no time in treating the Badari case as characteristic of the government's methods throughout Egypt.

It soon became apparent that there was dissension in the Cabinet. Maher Pasha, the Minister of Justice, is understood to have urged some thoroughgoing reforms which Premier Sidky was unwilling to sanction. Hence, on Jan. 2, the government's report on the case was read before Parliament, not by Maher Pasha, but by the Minister of Education. The report exonerated all the officials concerned. The dissension became so great that on Jan. 4 Sidky and his Cabinet resigned. At the King's request, Sidky then formed a new Cabinet without Maher Pasha and Yehia Pasha, the Minister of Foreign Affairs, who had supported Maher's view of the Badari incident and the need for reforms.

Although Sidky still enjoys King Fuad's confidence, the Badari affair aroused public opinion against the Premier to a higher pitch than any other incident since he came into power two and a half years ago. The Oppositionists have been greatly heartened by the rift between Sidky and two such important and highly esteemed leaders as Maher Pasha and Yehia Pasha. From now on there will probably be increasing agitation for judicial reform and for some sort of judicial control over administrative officials.

TURCO-AMERICAN RELATIONS

Turkey's friendly attitude toward the United States was demonstrated by the decree of Jan. 24, which permits the importation of American goods free of quota restrictions up to the amount of Turkish exports to the United States. As a result a considerable amount of American goods now stored in Turkish customs because of the former quota restrictions will be released. It is estimated that American exports to Turkey can be trebled.

With the aid of American capital and personnel, the Turkish Government is establishing an air service for passengers and mail that will facilitate communications between Istanbul, Ankara, Kars and some points not yet reached by railways.

The first concession granted to British interests in Turkey since the war has just been awarded for the establishment of a train-ferry service across the Bosporus. The concession, which is also a monopoly, is to last for fifty years, and will undoubtedly stimulate the transportation of freight between Europe and Asia Minor. Road vehicles are also to be carried on the ferries, although the monopoly does not extend to this provision.

Turkey is one of the few undeveloped nations that have not borrowed heavily abroad since the World War. Financial self-sufficiency was forced upon her during the early years of the republic because the money markets of the world were closed to her. Balancing budgets out of revenues became a habit and a source of pride. With the coming of the depression Turkey was hard hit, but drastic economies were effected without, however, seriously impairing the national public-works program. The budget of 1931

was balanced at 232,000,000 Turkish pounds, that of 1932 at 186,000,000 pounds and that of the current year at 169,000,000 pounds. As a result, Turkish currency remains stable at about two Turkish pounds to the dollar, while the currencies of neighboring countries have shown increasing weakness. The country's reputation abroad has gained through extensive reforms in many directions, while her admission to the League of Nations and her recent willingness to cooperate in the suppression of the narcotic trade have raised her standing among the nations. Under the leadership of Mustapha Kemal Pasha, Turkey has taken the initiative in improving relations with her neighbors, especially with Persia, Soviet Russia and Greece, and in arranging conferences of the Balkan States to discuss common interests and problems.

THE ANGLO-PERSIAN OIL DISPUTE

One of the important subjects that came before the Council of the League of Nations when its seventieth session opened on Jan. 24 was the Anglo-Persian oil dispute, which arose out of the cancellation by Persia last November of the concession held by the Anglo-Persian Oil Company. [For an account of the oil fields and various aspects of the dispute see the special article by A. M. Bouillon on page 663 of this magazine.]

The Council on Jan. 26 listened to a debate on the matter between Sir John Simon, British Foreign Minister, and Mirza Ali Ackbar Khan Davar, the Persian Minister of Justice. Sir John Simon contended that the cancellation of the concession was invalid and that negotiations could not proceed until Persia had withdrawn it. The Persian spokesman denied the Council's competency to consider the question, pointing out that Great Britain herself had adopted a similar stand in a shipping dispute with Finland in 1931. Great Britain had argued on that occasion that Finland had not exhausted British municipal law for redress. In the present case, declared Davar, the Anglo-Persian Oil Company had not exhausted the possibilities for redress offered by the Persian courts. Sir John Simon retorted that it would be useless to appeal to the Persian courts because the Persian Parliament, in confirming the government's action in canceling the concession, had enacted a law which bound the Persian courts to sustain that action. In reply to this the Persian Minister said that the President of the Persian Parliament had explained that the vote of confirmation was merely a vote of confidence, and that the action of the courts was not prejudiced.

The Council then adjourned discussion for several days to permit negotiations between the principals. In this, Foreign Minister Benes of Czechoslovakia, a member of the Council, was of great assistance in devising a formula that was acceptable to both sides as a basis for compromise, and on Jan. 30 it was announced that a settlement had been tentatively reached.

TRANSJORDAN LAND LEASES

The Palestine Government has consistently opposed the establishment of Jewish settlements in Transjordania, not only because of Arab objections, but also because of the difficulty of protecting such exposed colonies against irresponsible desert tribesmen. Yet the Emir Abdulla of Transjordania is free to dispose of the extensive personal property given to him by Great Britain as he sees fit without the approval of the mandate executive. On Jan. 17 it was announced that he had given an option for six months to the Jewish Agency on a thirty-three-year lease of 17,500 acres of his most fertile land for colonization purposes. Pressure promptly brought to bear on Abdulla by Arab Nationalist leaders in Jerusalem and by the Palestine Government resulted in his rescinding the option.

Japan Loses Political Prestige

By TYLER DENNETT
Professor of International Relations, Princeton University; Current History Associate

JAPAN continues to win military victories and lose political prestige. Three months ago she launched a drive to gain possession of the region in northwestern Heilungkiang, from Tsitsihar to Manchuli, just as the special Assembly was meeting at Geneva to consider the Sino-Japanese controversy. The military drive was relatively successful, but it did not turn the tide at Geneva in favor of Japan. At the beginning of January, while the Assembly Committee of Nineteen was undertaking the hopeless task of conciliation, Japan launched a drive at Shanhaikwan to demonstrate that Jehol is within her potential control. This drive was also successful, but like the entire campaign in Heilungkiang it has been accompanied by so many more reverses at Geneva that Japan is now politically in a far worse position than at any time in the last generation.

What is expected to be the Japanese advance into Jehol began with an attack on Shanhaikwan, south of the Great Wall, on Jan. 1. The city was occupied without great difficulty, and immediately a series of military operations followed which had for their objective the occupation of passes in the Great Wall adjacent to Shanhaikwan and advances along the main thoroughfares across the eastern boundary of Jehol. These operations, carried out in sub-zero weather, came to a pause within three weeks. By this time Japan had possession of two passes through the Wall and had advanced somewhat less than fifty miles toward the west. It is not quite clear whether the cessation of military activity was due merely to the weather or whether the opposition of the Chinese was sufficient to bring a halt while Japan strengthened her military forces. It is considered certain that the completion of the campaign to occupy Jehol will be resumed in the Spring.

The responsibility for the defense of China falls primarily upon General Chiang Kai-shek and upon Marshal Chang Hsiao-liang, the military commander of Northern China and former ruler of Manchuria. Actually, the brunt of the attack at Shanhaikwan was borne by General Ho Chu-kuo, the Cantonese commander of the local troops. Marshal Chang's first gesture appears to have been an effort to persuade the Japanese General, Nakamura, to localize the conflict, but this new menace to the integrity of China stirred public opinion so strongly that it seems to have convinced Chang that he must do something to justify himself. While Chinese figures are proverbially unreliable, it is stated that Marshal Chang has mobilized at least 130,000 Chinese troops south of the Great Wall to obstruct the expected Japanese invasion. General Tsai Tingkai, the famous leader of the Nineteenth Route Army, now in Fukien, has expressed eagerness to take the field. There are rumors that the so-called Christian General Feng may also be available for the defense of North China.

However, the consolidation of the troops of so many different sections near Peiping will make Chang's position less secure, and it remains to be seen, therefore, whether he has suf-

ficient patriotism to welcome into North China in this national emergency the forces of these rival war lords. On Jan. 23 a hurried assembly of military leaders was convened at Nanking at which Marshal Chang's loyalty and support were assured. Marshal Tuan Chi-jui, head of the old Anfu party of North China, joined the conference. The significance of his presence arises from his having been long regarded as pro-Japanese. His participation in the conference at Nanking is interpreted to mean that he is prepared to support Chinese resistance to Japanese demands. Vague rumors continue, as this is being written, that the Chinese leaders are secretly seeking to make peace with Japan by direct negotiations. At any rate, there is as yet a marked absence of proof that the war lords of China have enough love of country to sink their private differences and ambitions in order to present a united front against Japan.

China apparently is approaching a crucial test. If there is no leadership in China willing and able to defend Chinese territory or at least to make a genuine attempt, all the efforts of the League of Nations at Geneva to save the republic will be as futile as the Japanese have insisted all along. The attitude of the Chinese toward the Japanese aggression has been very difficult to fathom. For seventeen months, with the notable exception of the heroic defense of Shanghai, they have sought every opportunity to find shelter behind the skirts of the League and have rarely raised an arm in their own defense. The motto of Nanking has been "Let Geneva do it."

The Chinese delegation at Geneva has sought to create the impression that by appealing to the League of Nations the Chinese Government has been prevented from defending itself. Immediately after the occupation of Shanhaikwan, on Jan. 4, Dr. W. W. Yen, the chief of the Chinese delegation at Geneva, urged the League to deliver a "moral and juridical verdict" against Japan so that China would be free to defend herself. Dr. Yen seemed to feel that China is pledged not to take up arms against her enemy, but the nature of this alleged pledge is not very clear. Unquestionably China would gain great prestige and respect, not only at Geneva but throughout the world, if only she would demonstrate that she cares enough for her political and territorial integrity to fight for it. This, therefore, is the question presented by the repeated Japanese threats to resume military operations in Jehol and perhaps in North China. If China is not willing to make a more convincing effort to save herself than she has made in the recent past, it is highly questionable whether the republic is worth saving. It remains to be seen whether China can profit by the relative failure of Japanese political efforts at Geneva.

While the Japanese advance into North China has been mocking the councils of the League, the League has been tightening the screws on Japan, and particularly noticeable has been the steady advance in the influence of the less important powers. Nearly a year ago the Assembly removed the Sino-Japanese dispute from the Council, which has since been definitely out of the picture. The effect was to the diminish the influence of the great powers—the permanent members of the Council. Last September, instead of meeting for a brief period and then adjourning until September, 1933, the Assembly has remained in session subject to the call of its chairman. It created a Committee of Nineteen, which the great powers, notably Great Britain and France, sought to dominate by the creation of a sub-committee in which they would have a relatively greater influence. But the sub-committee failed to accomplish substantial results, whereupon the full committee again took charge of negotiations. Thus the sub-

committee, in which Sir John Simon, the British Foreign Secretary, has been so active, has been displaced with somewhat the same results as when the Council was displaced by the Assembly ten months ago.

In the Committee of Nineteen and and in the Assembly it is apparent that Japan is not able to command a majority vote. The liberals, both in France and Great Britain, have so positively expressed themselves that neither of these nations may now be classed unreservedly as friendly to Japan. What appears to be friendly action by the British and French representatives is seen, fundamentally, to be efforts to save, not Japan, but rather to save the British and French from the possibility of having to assume some responsibility under Article XVI of the covenant. In short, these powers are obviously trying to save only themselves.

The Committee of Nineteen, acting as a conciliator under Article XV, paragraph 3, of the covenant, submitted in December to both China and Japan two draft resolutions and an explanatory statement which, if approved by the two powers especially concerned, would have been reported to the Assembly for adoption. The gist of these drafts was that the Lytton Commission report would be accepted as "impartial" and would be approved by the League. The Committee of Nineteen would then be authorized to transform itself into a committee, presumably, of twenty-one by the addition of representatives from the United States and from the Soviet Union. This enlarged committee would have from the League a mandate to "direct" negotiations with China and Japan for a settlement on the basis of the principles of Chapter IX of the Lytton report, "taking into account" the suggestions made in Chapter X. The proposal would have involved the confirmation of the non-recognition doctrine and the affirmation that the existing Japanese political régime in Manchuria must be discontinued. On Jan. 8 the drafts of these resolutions were made public at Geneva.

Negotiations continued actively during the first two weeks of January. Japan would not consent to having the League direct the negotiations; nor would she admit the enlargement of the committee by the addition of Russia and the United States, or agree to any plan requiring the discontinuance of the present Japanese régime in Manchuria.

After the announcement that the Roosevelt administration would adhere to the Stimson non-recognition policy, the Assembly Committee, at a secret meeting on Jan. 16, delivered little less than an ultimatum to Japan. Sir John Simon, strongly supported by Réne Massigli of France, was in accord with the impatience of the smaller States. Perhaps the British representative saw British prestige in North China threatened by the Japanese advance. British merchants are said to be beginning to fear that if Great Britain persists in support of Japan, the Chinese boycott might be extended to British as well as Japanese goods.

The quasi-ultimatum was without immediate effect, for Japan declined to give clear answers. To pin Japan to an issue, the committee offered on Jan. 18 to act without the American and Soviet Governments if Tokyo would accept the balance of the December plan. Japan promptly declined to meet this concession. On Jan. 20 the committee, in secret meeting, still further stiffened its attitude, giving Japan another twenty-four hours in which to reply to the simple question whether she would accept the principle of non-recognition of Manchukuo. It was made clear that the alternative would be the dropping of the committee's conciliatory function and the drafting of a report and recommendation under Paragraph 4 of Article XV. Japan again refused to accede to the proposal of the committee. Meanwhile there was a revival in Tokyo of discussion about with-

drawal from the League. It has been repeatedly asserted that, while Japan will be reluctant to take this step, she will do so if the report now being drafted carries express condemnation of the Japanese policy in Manchuria.

The British representatives at Geneva continued their efforts to find some formula which might be made acceptable to Japan, but the small powers asserted themselves. Sir John Simon would have liked to see a report by the Assembly committee which would merely accept the Lytton findings. The drafting of the report, however, was referred to a committee of nine, composed of Belgium, Sweden, Spain, Czechoslovakia and Switzerland, as well as Great Britain, France, Germany and Italy.

By this steadily stiffening attitude of the Assembly committee, Japan has been obviously perturbed. Count Uchida, the Foreign Minister, warned his colleagues that they must prepare soon to make a decision of grave import. The crisis of Manchuria, moreover, has resulted in parliamentary repercussions. Twice in the last week in January the foreign situation of Japan was made the subject of discussions in the Japanese Diet. Never before in the history of the modern world has a great power been placed in such an embarrassing position as has Japan in relation to the League of Nations. It is significant that this has been done by peaceful methods.

The Mandates Commission of the League reported to the Council on Jan. 24, without comment, the record of the commission's secret session of Nov. 11, 1932, at which J. Ito, the Japanese delegate, was questioned about the report that his country is constructing submarine bases in the mandate islands, Saipan and Palau. The former is adjacent to the American-owned Guam, an important cable station, while the latter lies further south and on the route from Honolulu to Manila. Marquis Theodoli, chairman of the commission, intimated that reports had reached him of suspicious harbor improvements at a third point further east. Mr. Ito explained that these improvements were to provide better facilities for the increasing sugar trade. The Japanese representative gave the impression of not being very free in his explanations, and the published records of the Mandates Commission indicate that the latter was not wholly convinced that a satisfactory explanation had been made. While the Dutch commissioner argued that the commission should make no reference to the question in its report to the Council, in view of the formal Japanese denial, the commission overruled him. But how is it to be determined whether deepening a channel to twenty-seven feet, widening it, building a jetty and some mooring buoys, is for merchant ships or for submarines and even light cruisers?

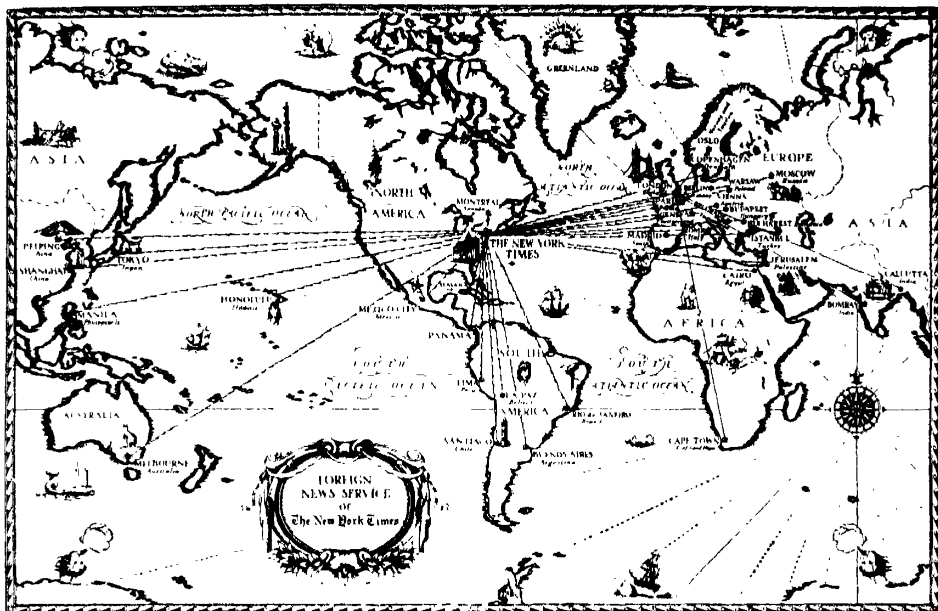
Count Uchida's address on Japanese foreign policy delivered before the House of Peers on Jan. 20 disclosed another step in the formulation of an Asiatic Monroe Doctrine. While recognizing the engagements of Japan under the covenant of the League of Nations, he pleaded for "a certain elasticity" in the operation of the covenant with reference to China. "In point of fact," he said, "various principles of international law and usage governing ordinary relationships between different States are, in practice, considerably modified when applied to China. The covenant of the League cannot alone remain an exception to that rule." Having thus laid down his thesis that exceptional principles must be applied to China, he demanded for Japan an exceptional position. "The League of Nations covenant," he continued, "very wisely provides that regional understandings shall be respected. In this sense our government believes that any plan for erecting the edifice of peace in the Far East should be based upon recognizing that the constructive force of Japan is the mainstay of tranquillity in this part of the world." This is the first official reference to the Japanese claim for

special position in the Far East under the caption of "regional understandings." The general tenor of the speech was that Japan not only does not invite but will not permit the intervention of the League or of separate powers in her controversy with China. It was also made clear that Japan proposed to annex Jehol to Manchukuo.

By linking the doctrine of the Open Door with the principle of free trade, an association of ideas which is historically quite incorrect, the Japanese Foreign Minister appeared to indicate that the present high tariff policy of the various powers has so altered the principle of the Open Door that it is no longer fully applicable to China. "It is to be regretted," he remarked, "that as a result of this policy of the closed door, which is now practiced everywhere in trade and industry, the universally cherished principle of freedom of trade has been entirely revised." The implication from this statement would appear to be that Japan is, in fact, seeking release, on the ground of altered circumstances, not only from Article X of the covenant but also from those provisions of the Washington treaties which were designed to guarantee the integrity of China and of the Open Door.

Hitoshi Ashida, a former member of the Japanese diplomatic service, a newspaper editor and recently a member of Parliament, rose in the Diet on Jan. 23 to criticize Japanese foreign policy. He was particularly candid about Japan's relations with America and expressed the fear that Japan was "being dragged blindly into an uncharted, pitch-dark abyss." He urged the Minister of War, General Araki, to "forsake the notion that the army is almighty." The speech was significant, not only for its tone but because Mr. Ashida formerly was regarded as a spokesman for the Seiyukai, the majority party. The speech drew sharp replies from Count Uchida and General Araki. Later it was somewhat qualified by a word of explanation from Mr. Ashida. When considered with the recent protest of the Japanese financial interests over the proposed budget and frequent grumblings about the prospective increase both of taxes and inflation, the speech, though disavowed by Mr. Ashida's party, takes on added importance. It was perhaps another of the factors which tended to stiffen the determination of the powers at Geneva to hold Japan rigidly to her obligations under the covenant.

The advance of the Japanese in the direction of Tientsin, together with the rumors of suspicious harbor improvements in the mandated islands, and Count Uchida's bid for a relaxation of the open-door principle in China are more serious threats to immediate American interests than any which have arisen since the initial Japanese advance into Manchuria. Washington appears to have viewed the new Japanese military action with some concern, but President Hoover has rested quietly upon the previous declarations of policy. Nevertheless, the extension of Japanese activity served to force the Far Eastern question more directly upon the attention of President-elect Roosevelt than might otherwise have been the case. The result was that on Jan. 17 Mr. Roosevelt intimated that there would be no change in the Far Eastern policy of the United States after March 4. He declared that he was "wholly willing to make it clear that his American foreign policies must uphold the sanctity of international treaties. That is the cornerstone upon which all relations between nations must rest." It is perhaps not an unfair inference from this simple statement that the American foreign policy links the Far East to the war debts. To admit that Japan can by unilateral act revise the treaties effecting China would gravely weaken the position of the United States that the debt agreements must stand until, by mutual consent, they have been altered. In any event, the President-elect's statement was another blow to Japan.



THE VALUE *of* FOREIGN NEWS

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